

## LIFO the party: Large firms are expected to increase advisory services to pursue higher profit

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# IBISWorld Industry Report 54121c Accounting Services in the US

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# About this Industry

## Industry Definition

Firms in this industry are certified to audit the accounting records of public and private organizations and to demonstrate compliance to generally accepted accounting practices. Certified public accountants (CPAs), included in

this industry, provide a variety of accounting services, including auditing accounting records, designing accounting systems, preparing financial statements, developing budgets and providing advice on matters related to accounting.

## Main Activities

### The primary activities of this industry are

Auditing  
 Providing accounting advice to corporate clients  
 Providing accounting advice to individuals and small businesses  
 Accounts preparation

### The major products and services in this industry are

Corporate tax preparation  
 Financial auditing  
 Financial statement review  
 General accounting  
 Individual tax preparation  
 Tax planning and consulting  
 Other financial assurance services  
 Other

## Similar Industries

### 54121b Payroll & Bookkeeping Services in the US

This industry offers payroll and accounts bookkeeping services.

### 54161 Management Consulting in the US

This industry advises businesses on issues of corporate strategy, human resources, organizational design, financial advisory and logistics.

### 54161b HR Consulting in the US

This industry provides advice and assistance to businesses and organizations for structuring personnel policies, such as employee benefits, compensation systems, recruitment and employee retention.

### 54169 Scientific & Economic Consulting in the US

This industry provides advice and assistance to business and organizations in areas of economic, energy, mineral, security and agricultural analysis.

### 56141 Document Preparation Services in the US

This industry provides a variety of document preparation services, including word processing and document editing.

# About this Industry

## Additional Resources

### For additional information on this industry

**[www.accountingtoday.com](http://www.accountingtoday.com)**

Accounting Today

**[www.accountingweb.com](http://www.accountingweb.com)**

Accounting Web

**[www.aicpa.org](http://www.aicpa.org)**

Association of International Certified Professional Accountants

**[www.internationalaccountingbulletin.com](http://www.internationalaccountingbulletin.com)**

International Accounting Bulletin

**[www.oecd.org](http://www.oecd.org)**

Organisation for Economic Co-operation and Development

**[www.census.gov](http://www.census.gov)**

US Census Bureau

IBISWorld writes over 1 000 US industry reports, which are updated up to four times a year. To see all reports, go to [www.ibisworld.com](http://www.ibisworld.com)

# Industry at a Glance

Accounting Services in 2019

## Key Statistics Snapshot

Revenue

**\$113.9bn**

Annual Growth 14–19

**3.8%**

Annual Growth 19–24

**0.8%**

Profit

**\$18.0bn**

Wages

**\$44.2bn**

Businesses

**91,961**

### Market Share

Pricewaterhouse-Coopers LLP

**9.8%**

EY

**9.2%**

Deloitte Touche  
Tohmatsu Limited

**7.0%**

KPMG

International

**6.0%**

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### Key External Drivers

Number of households

Corporate profit

Number of adults  
aged 20 to 64

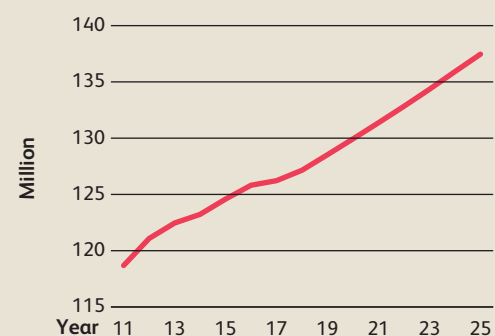
Number of businesses

p. 5

Revenue vs. employment growth

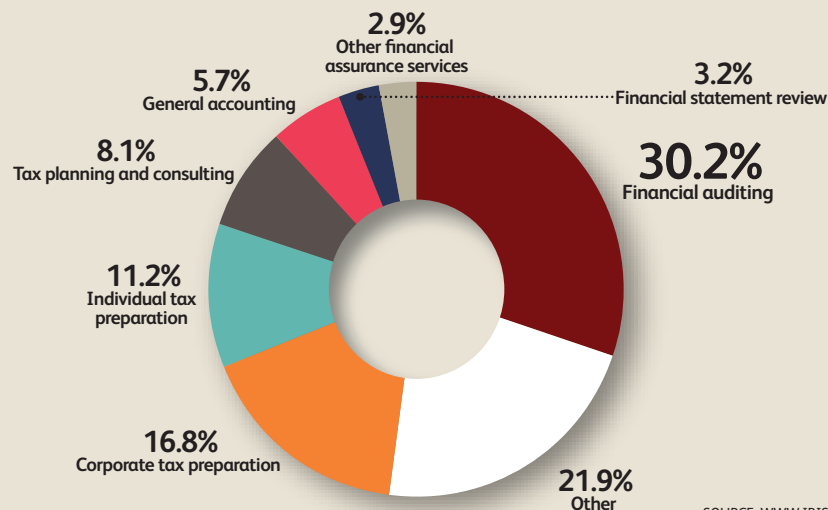


Number of households



SOURCE: WWW.IBISWORLD.COM

Products and services segmentation (2019)



SOURCE: WWW.IBISWORLD.COM

## Industry Structure

Life Cycle Stage

**Mature**

Revenue Volatility

**Low**

Capital Intensity

**Low**

Industry Assistance

**Low**

Concentration Level

**Low**

Regulation Level

**Heavy**

Technology Change

**Low**

Barriers to Entry

**Low**

Industry Globalization

**Low**

Competition Level

**High**

FOR ADDITIONAL STATISTICS AND TIME SERIES SEE THE APPENDIX ON PAGE 39

# Industry Performance

Executive Summary | Key External Drivers | Current Performance  
Industry Outlook | Life Cycle Stage

## Executive Summary

The Accounting Services industry has grown steadily over the five years to 2019, buoyed by economic growth, rising equity markets and an increasing number of new businesses. As revenue expanded, new accounting firms have entered the industry and competition has intensified. In an attempt to boost market share, the industry's largest players have increasingly acquired smaller companies strategically to heighten their service offerings to include ancillary consulting services. Overall, industry revenue is projected to rise at an annualized rate of

five-year period, the rise in demand for industry services has drastically outpaced growth in the number of new accountants entering the industry, which has enabled operators to raise prices, garner more revenue per client and allocate more funding toward capital investment. Software that analyzes large data sets, known as Big Data, along with other labor-saving technologies, have helped increase market share and competition with companies that deal only in big data.

Over the five years to 2024, industry revenue is expected to grow at an annualized rate of 0.8% to reach \$118.1 billion. The industry will likely benefit from strong aggregate private investment, a growing number of US businesses and higher activity in financial markets, including increases in initial public offerings and mergers and acquisitions activity. Additionally, the tax system overhaul passed by the Trump Administration in December 2017 is expected to largely boost demand for industry operators during the outlook period as businesses and individuals seek to comply with new changes. Competition is expected to intensify in the consumer segment due to increasing penetration of low-cost alternatives such as online tax preparation; however, this is not expected to significantly hinder industry growth.

Industry profit has decreased due to rising accounting fees, higher client volumes and increased investment in technology

3.7% over the five years to 2019 to total \$113.3 billion, including a growth of 1.7% in 2019 alone. Operators in the Accounting Services industry offer a wide array of services, including audit and assurance services, tax preparation and compliance work, consulting assistance and restructuring services.

Industry profit has decreased over recent years due to rising accounting fees, higher client volumes and increased investment in technology. During the

## Key External Drivers

### Number of households

Number of households in the US, defined as a person or group of persons occupying a single housing unit, such as a house, apartment or mobile home. Occupants do not need to be related to one another to be considered members of a single household. An increase in number of households will enable increases in productivity and higher income, leading to more businesses opening and individuals using accounting

services. Total number of households are expected to increase in 2019, presenting a potential opportunity for the industry.

### Corporate profit

Corporate profit measures business profit earned across the entire economy. A rise in corporate profit generally increases the number of businesses that are able to undertake investments, which often causes businesses to seek out tax consultants to minimize tax liabilities.

# Industry Performance

## Key External Drivers continued

Therefore, an increase in corporate profit precipitates an increase in industry revenue. Corporate profit is expected to increase in 2019.

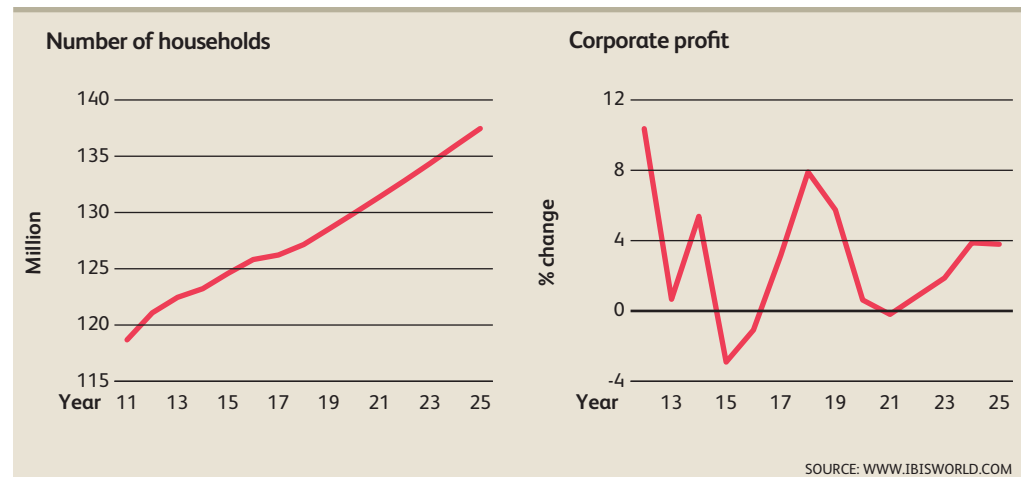
### Number of adults aged 20 to 64

Individuals account for nearly one-fifth of revenue for this industry because a large spectrum of private citizens seeks out assistance from industry operators for tax preparation and general accounting services, among others. As the number of adults grows, the customer base in the market for individuals grows, boosting demand for accounting services. In 2019,

the number of adults aged 20 to 64 is expected to increase at a stagnant rate, posing a potential threat to the industry.

### Number of businesses

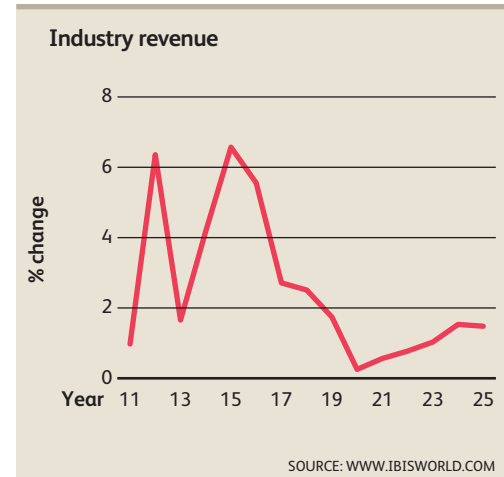
The number of businesses measures the total number of businesses in the United States with at least one employee. An increase in the number of employing businesses precipitates increased demand for accounting services, as firms require assistance preparing tax statements and presenting financial information. The number of businesses is expected to increase in 2019.



# Industry Performance

## Current Performance

Accounting Services industry operators are certified to audit the accounting records of public and private organizations and to demonstrate compliance to generally accepted accounting practices. The industry has expanded steadily over the five years to 2019 as continued growth supported by a strong economy has replaced countercyclical demand stemming from economic turbulence. Bankruptcy and restructuring services provided some business for operators prior to the period, but more stable and consistent demand for audit and assurance services has helped the industry expand over the past five years. Buoyed by economic growth, rising equity markets and a growing number of new businesses, demand has increased for the industry's traditional services, including auditing, accounting, advising and tax preparation. Over the five years to 2019,



industry revenue is expected to rise at an annualized rate of 3.7% to reach \$113.3 billion. In 2019, industry revenue is expected to rise 1.7% as activity in the finance and insurance markets heightens and corporations require more assurance and tax services.

## Demand drivers and countercyclical demand

The Accounting Services industry's traditional lines of business are sensitive to changes in economic growth. Growth in the number of US businesses drives industry performance, particularly for small- and medium-sized companies, as it increases the number of companies that require accounting services. Businesses, which account for more than 70.0% of the total market for industry services, seek out tax compliance and accounting services from operators at high rates; accordingly, any increase in the pool of overall businesses results in a boost in industry revenue. The industry also generates revenue from initial public offerings (IPOs), merger and acquisition (M&A) activity and business expansions. Industry operators generally prepare financial statements for publicly traded businesses since these companies are required to disclose financial information to their shareholders and the public.

Mergers and expansions also require additional tax compliance and auditing assistance services provided by this industry. These sources of revenue for the Accounting Services industry have helped bolster revenue over the past five years.

Additionally, this industry has benefited from some countercyclical demand. Accountants are required to assist in the oversight of the transition of assets and liabilities for companies that have folded. During the economic downturn prior to the beginning of the period, the industry still performed relatively well as accountants were hired to perform some countercyclical practices. As a result, industry revenue at the outset of the current period was not at depressed levels that would have resulted in overinflated growth over the next five years. Nonetheless, companies that were strapped for cash toward the beginning of the period chose auditors

# Industry Performance

## Demand drivers and countercyclical demand continued

based on price instead of reputation or loyalty. Accounting firms responded by engaging in competitive price-cutting practices, which pressured fees and pulled audit revenue downward. As a result of these pressures, profitability

has contracted slightly during the current period, with the average industry profit margin (measured as earnings before interest and taxes) totaling an expected 16.5% of revenue in 2019.

## Demand driver growth

Industry revenue has experienced strong growth over the past five years, aided by a variety of factors, including an increase in the number of businesses in the United States and growing private investment. With the entrance of new businesses, demand for accounting services increases as new businesses demand industry-relevant services, such as financial statement analysis, budgeting and auditing consultation. M&A activities have also increased over the past five years, as businesses were able to obtain better financing when the credit markets stabilized, investor confidence improved and the equity markets expanded. Revenue from the auditing, assurance and tax preparation lines of business have grown substantially since 2014, as price competition among accounting

firms ebbed and corporations opted for stable, long-term auditing relationships rather than those based on price and value. In fact, a survey from Financial Executives International reported that public companies experienced a 6.4% increase in external auditing fees in 2015 alone and their private counterparts' fees jumped 3.1% in the same year. This growth has been a particularly important boon to this industry, as financial auditing is its single-largest source of revenue. In addition, according to the National Society of Accountants, average tax preparation service fees are expected to have increased 6.4% in 2017 alone following consecutive increases every year during the period, marking impressive growth in the industry's second-highest grossing service segment.

## New sources of income

Larger firms have benefited from offering an increasing number of services over the past five years. Many of these services are not directly related to traditional accounting practices but improve the company's presence in the professional services market and, therefore, attract new accounts. An increasing proportion of Accounting Services industry revenue is generated from consultations that assess regulatory risk, tax risk and other forms of financial liabilities and uncertainties. Additionally, most recently, the overhaul to the domestic tax system passed in December 2017 by the Trump Administration is expected to bolster demand for industry services as

## Larger firms have benefited from offering an increasing number of services

individuals and businesses seek industry companies to aid in compliance with changes in the tax code. However, the effects of this positive demand boost are not expected to be fully realized until the outlook period.

Under the Sarbanes-Oxley Act, auditing companies are not permitted to provide consulting services for the same clients they audit. This law, however, has not stifled growth in the consultancy



# Industry Performance

## New sources of income continued

service segment of the large accounting companies. In fact, advisory and consulting operations are the fastest-growing operating segments for all four of the largest companies in this industry. Consulting operations offer significant revenue generation potential, particularly in periods of economic

growth. The management, operational and tax complications that accompany business growth often leads to increased demand for consulting services. As operators bring in consulting clients, industry-relevant service revenue, excluding revenue from audits, also tends to grow.

## Industry landscape

An increasing volume of M&A activity during the current five-year period, particularly within the consulting segment, has evidenced that the industry is steadily consolidating. Accordingly, the number of industry enterprises is projected to grow at an annualized rate of 0.1% over the five years to 2019 to reach 91,749 independent companies, with larger firms increasingly acquiring smaller independent operators. Increasing consolidation has caused larger operators with multiple offices across the country to hire more service professionals to conduct industry activities. As a result, the number of industry employees is forecast to rise more robustly, growing at an estimated annualized rate of 2.8% during the same five-year period to total 565,949 workers.

Larger industry firms, such as PricewaterhouseCoopers LLP, EY, Deloitte Touche Tohmatsu Limited and KPMG International, have experienced stagnant growth during the period, even though much of their growth has

**An increasing volume of M&A activity has evidenced that the industry is steadily consolidating**

occurred in the consulting space. As businesses grow and require more extensive audit and tax advisory services, the larger industry operators have a growth rate less than the industry growth rate. Furthermore, increased provision of advisory services has also boosted these companies' revenues as they attract a wide range of clients seeking assistance with regulatory compliance and other matters. Several of the industry's larger firms are also making extensive capital investments to boost productivity, add transparency and enhance perceived value from the clients' perspective. These IT infrastructure investments have boosted productivity among the Big Four firms substantially in recent years.

# Industry Performance

## Industry Outlook

The Accounting Services industry is expected to continue to experience strong demand over the five years to 2024 as overall business activity improves. An increasing number of businesses coupled with rising corporate profit will cause aggregate private investment to increase and generate higher demand for traditional accounting services such as auditing and corporate tax assistance. Furthermore, increased corporate activity, such as mergers and acquisitions (M&As) and initial public offerings (IPOs), will spur growth for industry services; additionally, the tax system overhaul passed by the Trump Administration in December 2017 is expected to largely

boost demand for industry operators during the outlook period as businesses and individuals seek to comply with new changes. As a result, the industry is expected to benefit from rising demand for advisory services, such as consulting on tax issues and financial transactions. Increased consumer wealth will further drive demand from individuals seeking tax assistance; however, competitive conditions, induced by self-service tax software, are also expected to intensify in the market for the provision of services to private citizens. Overall, the industry is projected to grow at an annualized rate of 0.8% over the five years to 2024 to reach \$118.1 billion.

## Growth prospects

Over the next five years, the Accounting Services industry will primarily benefit from stronger business activity due to continued improvement in macroeconomic conditions. Corporate profit is expected to continue its upward trend, growing an estimated annualized 1.4% during the outlook period. Aggregate private investment is also forecast to grow over the five years to 2024 as companies have more money to invest in new facilities and software. Consequently, increased investment in new depreciable assets and larger financial transactions will generate demand for accounting services to track and review spending.

The industry is also expected to benefit from an increase in the number of businesses during the next five-year period. New companies are expected to open operations, thus generating higher demand for accounting services. Small accounting firms are set to benefit most from the increase in US businesses as local operators provide services to smaller organizations. The environment surrounding IPO activity is also expected to be fertile moving forward, to the

**The industry is expected to benefit from an increase in the number of businesses**

benefit of industry operators. The number of initial public offerings is expected to increase over the five years to 2024, expanding demand from one of the industry's highest-paying markets.

In addition to general economic growth, operators in this industry will benefit from increasing efforts to enforce tax laws properly. In 2013, the Organisation for Economic Co-operation and Development (OECD) published a report addressing base erosion and profit shifting (BEPS), which partially consists of the practice of companies funneling money through international subsidiaries to avoid paying portions of their taxes. In the same year, the White House and the Department of the Treasury jointly released a plan to combat the same practices and hold corporations responsible for their tax burden and to incentivize companies to locate

# Industry Performance

## Growth prospects continued

domestically. These plans are manifestations of concerns that multinational corporations are not paying their full share of taxes. The OECD reported in 2016 that they were working with participating countries, including the United States, to finalize a framework for monitoring BEPS

implementation strategies. This will likely lead to companies being increasingly scrutinized in terms of their tax statuses. As a result of this scrutiny, companies will likely require more tax preparation and auditing services from industry operators in the coming years.

## Service expansion

The most notable development for accounting firms over the next five years will be the increased investment in advisory services. Although assurance and audit services will remain the cornerstone of operations, the massive profit associated with consulting services has caused companies to focus on expanding advisory operations. Several major acquisitions, such as Deloitte Touche Tohmatsu Limited's purchase of Monitor Group, PricewaterhouseCoopers LLP (PwC)'s acquisition of Booz & Company to form Strategy&, EY's purchase of Parthenon Group and KPMG International's acquisition of First Point Global, took place over the past five years. These acquisitions have created a platform for major companies to further expand into advisory services and are projected to be a rapidly growing segment over the next five years. Expansion will predominantly focus on management consulting services; however, it will also include corporate tax guidance and

## Companies will continue to pursue opportunities in new, niche fields

improve the profile of major brands as a one-stop shop.

Additionally, large and small accounting companies will continue to pursue opportunities in new, niche fields. Future revenue growth will depend largely on firms offering add-on services to existing clients. For example, forensic accounting helps companies respond to data breaches, combat corruption and react to civil allegations. Given the increasingly regulated nature of public accounting and the financial reforms that occurred over the past five years, in addition to a major uptick in cybersecurity breaches across all industries during the same period, forensic and regulatory advisory services will particularly help drive industry revenue over the next five years to 2024.

## Consumer competition

Consumers are expected to continue to embrace technology to conduct everyday services for lower prices with greater convenience. Consequently, individual customers and households are projected to continue to shrink as a proportion of industry revenue over the next five years. More consumers are expected to turn to online tax preparation services,

such as TurboTax, TaxAct and QuickBooks, that enable individuals to complete their own returns and review documents. Therefore, most accounting firms will only continue to service high-wealth individuals who require accountants to comply with tax legislation and require assistance with more complex forms.

# Industry Performance

## New players amid consolidation

Over the next five years, the industry's largest players, which include PwC, Deloitte Touche Tohmatsu Limited, EY and KPMG International, are all expected to continue pursuing M&As to increase their market share in the industry. This will primarily focus on purchasing smaller, highly profitable companies that have established a presence in advisory services, particularly in the digital sector. Nonetheless, small operators will continue to enter the industry to take advantage of growing demand for industry services, leading the number of industry enterprises to increase at an estimated annualized rate

**Small operators will continue to enter the industry to take advantage of growing demand**

of 0.5% during the outlook period to reach 94,255 independent companies. Furthermore, industry operators are projected to continue to increase their workforces, with employment projected to grow an annualized 1.0% during the outlook period to total 597,964 workers.

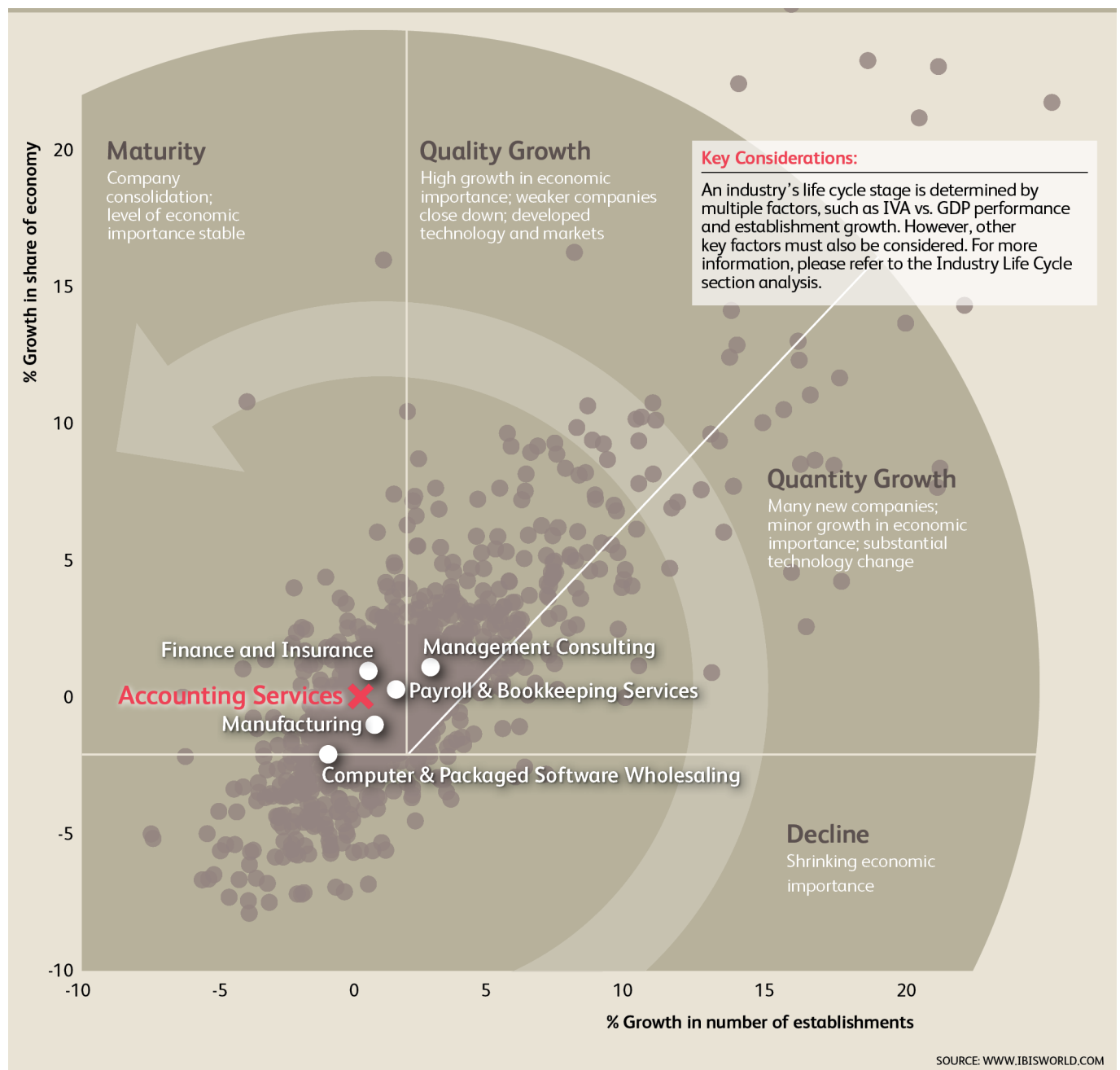
# Industry Performance

## Life Cycle Stage

Industry growth is on pace with the overall economy

The number of companies and establishments in the industry is increasing

Firms in this industry are finding new niche services and markets, leading to increased revenue



# Industry Performance

## Industry Life Cycle

This industry  
is **Mature**

The Accounting Services industry is in the mature stage of its economic life cycle. The industry is characterized by growth in line with the overall economy, a growing number of industry operators, consolidation occurring from the largest players and technological change based on improving efficiency and existing practices. Industry value added (IVA), used to measure an industry's contribution to the overall economy, is projected to grow at an annualized rate of 2.3% over the 10 years to 2024. This is slightly faster than the US GDP, which is forecast to grow an annualized 2.0% during the same 10-year period. IVA growth has relied on strong revenue growth and increasing profit in certain years due to rising costs for accounting services. This growth is expected to be slower in the second half of the period than the first, as revenue and wage growth rates decelerate.

The industry's largest players, which include PricewaterhouseCoopers LLP, EY, Deloitte Touche Tohmatsu Limited and KPMG International, have all made acquisition deals in the past five years to sustain market share, particularly those focusing on advisory services.

Meanwhile, smaller industry operators have continued to enter the industry and provide services to small businesses and narrow geographic regions. This is expected to continue over the next five years as major companies seek to expand their service offerings and new companies enter to capture rising profitability, which is indicative of the mature phase of an industry's life cycle.

Additionally, there is wholehearted market acceptance of the services provided by this industry. Tax codes and financial auditing are fixtures in the domestic economy, and these realities of business must be dealt with by a high number of clients that have traditionally sought out industry operators to help them in terms of preparing and auditing financial statements and tax preparation. Complex tax codes and stringent financial regulations often make it much easier for businesses to outsource auditing and tax preparation services to industry operators. As these laws continue to evolve, the need for accounting assistance will remain and grow stronger. This firmly entrenched position in the day-to-day operation of a wide variety of businesses and individuals is characteristic of a mature industry.

# Products & Markets

Supply Chain | Products and Services | Demand Determinants  
Major Markets | International Trade | Business Locations

## Supply Chain

### KEY BUYING INDUSTRIES

31-33	<b>Manufacturing in the US</b> Manufacturing companies use this industry for auditing and accounting.
52	<b>Finance and Insurance in the US</b> Finance and insurance companies demand this industry's auditing and assurance services.
53	<b>Real Estate and Rental and Leasing in the US</b> The real estate industry, in particular real estate investment trusts and funds, rely on accounting services for financial statement presentations and other assurance services.
54	<b>Professional, Scientific and Technical Services in the US</b> Professional service industries use accounting firms for auditing and accounting.
9901	<b>Consumers in the US</b> Households demand this industry's services for personal accounting.

### KEY SELLING INDUSTRIES

42343	<b>Computer &amp; Packaged Software Wholesaling in the US</b> Industry operators purchase products from computer and packaged software wholesalers to develop their online tax software.
42412	<b>Office Stationery Wholesaling in the US</b> Industry operators purchase office stationery and other supplies as part of their operations.
44211	<b>Furniture Stores in the US</b> Accountants require furnishings for their offices.
51121c	<b>Business Analytics &amp; Enterprise Software Publishing in the US</b> Business analytic and enterprise software provides industry operators with software applications, such as tax related applications.
53112	<b>Commercial Leasing in the US</b> Accountants purchase commercial leasing facilities to create brand awareness about their services.

## Products and Services

### Financial auditing and statement review services

Financial auditing and statement review services are estimated to account for 30.2% and 3.2% of Accounting Services industry revenue, respectively, in 2019. Audits are commonly done in reference to a company's historical financial statements, whereby the auditor presents financial information in a manner that conforms to generally accepted accounting principles (GAAP). Audits are undertaken to ensure the validity of financial statements and to make sure that a company has not misstated its earnings or financial position. Since independence and expertise are valued in this type of service, most audit work is provided by certified public accountants (CPAs). CPAs provide a range

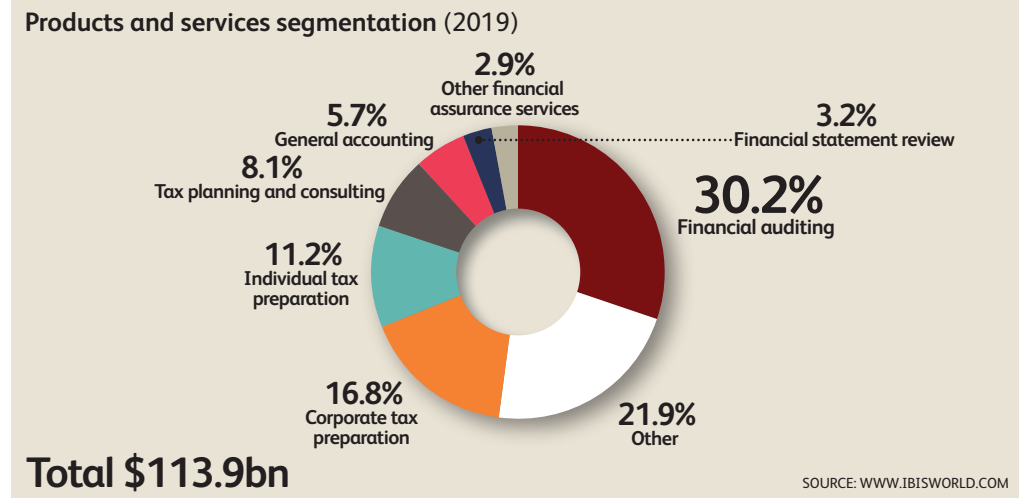
of services in addition to auditing and assurance, including corporate advisory, financial and estate planning, forensic accounting and various consulting services.

Audit and assurance services have typically made up the largest revenue component for the Accounting Services industry's biggest firms. Business relationships between auditing firms and publicly listed clients are often long-standing, creating a reliable stream of income for accounting companies and the opportunity to pitch add-ons or related services. However, over the five years to 2019, the auditing segment's share of total industry revenue has declined slightly due to a trend of expansion in other business-lines, such as consulting and advisory services.



# Products & Markets

## Products and Services continued



### Tax preparation and representative services

Tax preparation and representative services are estimated to account for 28.0% of revenue in 2019. Industry operators prepare client income and other tax returns, review returns prepared by others, file returns and prepare supplementary documents associated with returns. Additionally, professional accountants represent clients at tax audits and appeals. Tax preparation services are divided into corporate services and individual services, which are estimated to account for 16.8% and 11.2% of revenue, respectively.

Over the past five years, demand from this segment has remained a stable proportion of revenue due to demand fluctuating in line for overall auditing and accounting services. Demand for corporate tax preparation services has experienced the strongest growth due to rising corporate profit and, thus, new business investment activity. However, individual tax preparation services have dwindled slightly due to increasing competition from online tax preparation services such as TurboTax, TaxAct and QuickBooks. Overall, this segment is likely to grow over the next five years as increasing scrutiny over international

tax compliance causes corporations to seek out these services at a higher rate.

### Tax planning and consulting services

Tax planning and consulting services are expected to represent 8.1% of industry revenue in 2019. This can be further broken down into individuals and corporate clients, representing 1.6% and 6.5% of revenue, respectively. Accounting companies provide planning and consulting services to minimize the impact of taxation, interpret tax law and prepare, review and file tax returns and supplementary documents. Accountants assist these clients with income, inheritance, estate, property and other operating taxes. Over the past five years, demand for tax planning and consulting services has increased due to rising corporate profit and, thus, new business investment activity. Furthermore, firms are increasingly using professional accountants to ensure compliance with tax laws and changing regulatory requirements.

### General accounting and other financial assurance services

General accounting services are estimated to account for 5.7% of industry revenue and include the provision of bookkeeping, compilation and other



# Products & Markets

## Products and Services continued

payroll services for a single fee. Additionally, other assurance services include the compliance with other control standards and are estimated to comprise 2.9% of total revenue. These services have remained a stable proportion of revenue during the five-year period.

### Other services

Other industry services include nonfinancial assurance services such as assessing compliance with agreements,

statutes and regulations, assessing compliance of public sector entities with legislative and related authorities and conducting value-for-money auditing of public sector entities. Overall, these other services are expected to account for the remaining 21.9% of revenue in 2019. Moreover, accounting professionals provide computerized accounting systems services, bookkeeping and compilation services and consulting services that are often combined with audit measures.

## Demand Determinants

The services provided by Accounting Services industry operators have varying demand over the course of the overall business cycle. Regulatory and compliance mandates provide consistent demand for traditional accounting and auditing services. Public clients often retain auditing firms for extended periods guaranteeing a dependable stream of revenue for an accounting firm. Certain services offered by accounting firms are actually countercyclical, such as demand for insolvency and receivership services. During the periods of economic contraction, as business bankruptcies increase, accounting firms see a rise in revenue related to these services. However, revenue from insolvency services are short-lived, as accounting firms initially receive fees for performing bankruptcy or receivership work but they lose long-term revenue streams when the client no longer needs service on an annual basis.

Recent economic growth, especially in US markets, has benefited the Accounting Services industry as global growth increases demand for industry services. To handle the complexity of international tax structures and regulations, the services of large accounting firms are needed. As corporations expand overseas, tax services and advisory fees for the largest accounting companies is expected to have increased over the five years to 2019.

Demand for accounting services is also derived from the government and public sector, businesses and individuals requiring advice and assistance complying with statutory requirements such as company and individual taxation returns, audited accounts and financial reporting. Therefore, any increase in legislation or corporate governance standards will prompt further demand for accounting services in this industry.

## Major Markets

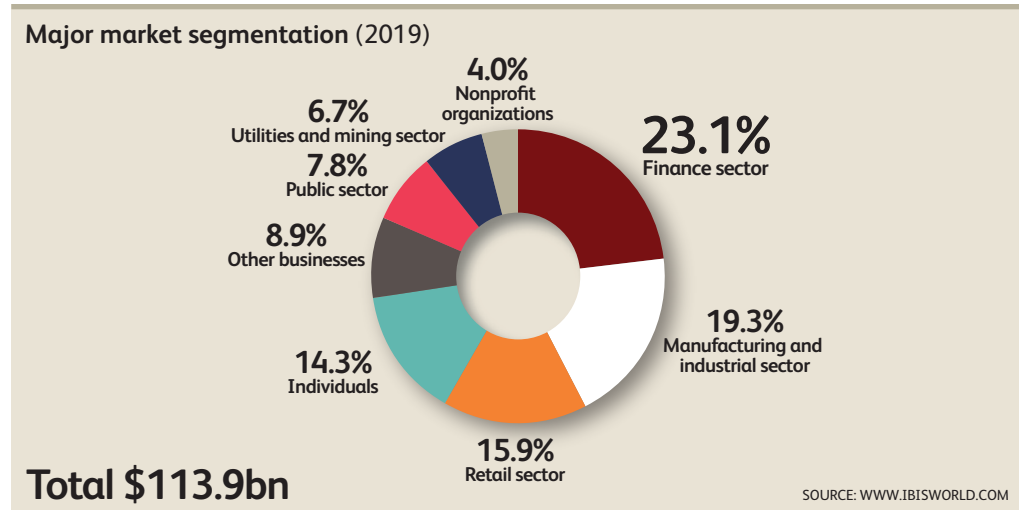
### Corporate clients

Corporate clients overwhelmingly account for the majority of demand in the Accounting Services industry. In 2019, more than 70.0% of revenue is estimated to be generated through private businesses across a variety of sectors. Corporate clients use accounting firms

for auditing and consulting services, including work on initial public offerings (IPOs) and mergers and acquisitions (M&As). Clients in the finance sector represent the single largest segment of the market at an estimated 23.1% of total revenue. Companies in this sector typically outsource auditing and

# Products & Markets

## Major Markets continued



assurance work to ensure there is no conflict of interest and that all transactions are in accordance with legislative measures. This market has grown the fastest during the five-year period due to recovery in consumer and business spending, which has produced a surge in financial markets. Since larger clients in the finance sector are required to provide a high level of transparency, audits and financial statement services are consistently in demand by these clients. As banks and other financial institutions are being subject to increasingly stringent regulatory standards, demand from these customers will continue to grow over the next five years.

Additionally, retail and manufacturing companies represent a large proportion of revenue at 15.9% and 19.3% of the total market, respectively. These firms use professional accountants to focus on core functions and process all transactions made during the business year. This segment has grown slightly as a proportion of revenue during the five-year period as demand for accounting services has grown mostly in line with overall business performance. Furthermore, corporations have been increasingly scrutinized about their

taxation compliance, driving demand for industry operators. Meanwhile, the utilities and the mining sectors represent a shrinking proportion of revenue as rapidly dropping oil prices over the past five years have curbed exploration activities and led to lower investment in new capital. Overall, corporate clients are expected to continue to drive the vast majority of industry clients because businesses will most likely always need industry operators for auditing and taxation assistance.

### Individuals

Individuals primarily use professional services in this industry for developing budgets, gaining accounting advisory services and designing accounting systems and preparing their financial statements. Additionally, accountants assist individuals on tax compliance and consulting, estate planning and personal finance options. Individuals are expected to represent 14.3% of total revenue in 2019 and have fallen slightly as a proportion of revenue over the past five years. Industry operators are experiencing tougher competition from tax preparation service providers, particularly online providers, which offer less expensive and more convenient

# Products & Markets

## Major Markets continued

services. Also, larger operators in this industry have grown faster than the industry on average. These firms typically derive a very small portion of revenue from individuals. This has prompted growth in corporate and government clients at a faster rate than individuals.

### Public sector

Federal, state and local government agencies are estimated to represent 7.8% of industry revenue in 2019. Demand from government agencies is dominated by the Big Four accounting firms and typically includes outsourcing audit measures for department spending and other programs. Government agencies have fallen as a proportion of revenue during the five-year period due to weakened government spending

following the economic recession and associated austerity measures.

### Nonprofit organizations

Nonprofit organizations are only estimated to account for 4.0% of total revenue in 2019; however, this segment has grown during the five-year period. Nonprofit organizations use accounting firms for assurance and tax compliance consulting but were severely hampered by the onset of the recession prior to the beginning of the period, which caused private investment in organizations to dry up. More recently, stronger macroeconomic conditions have helped companies and individuals increasingly donate to nonprofit organizations and, therefore, increased their likelihood to invest and require accounting services.

## International Trade

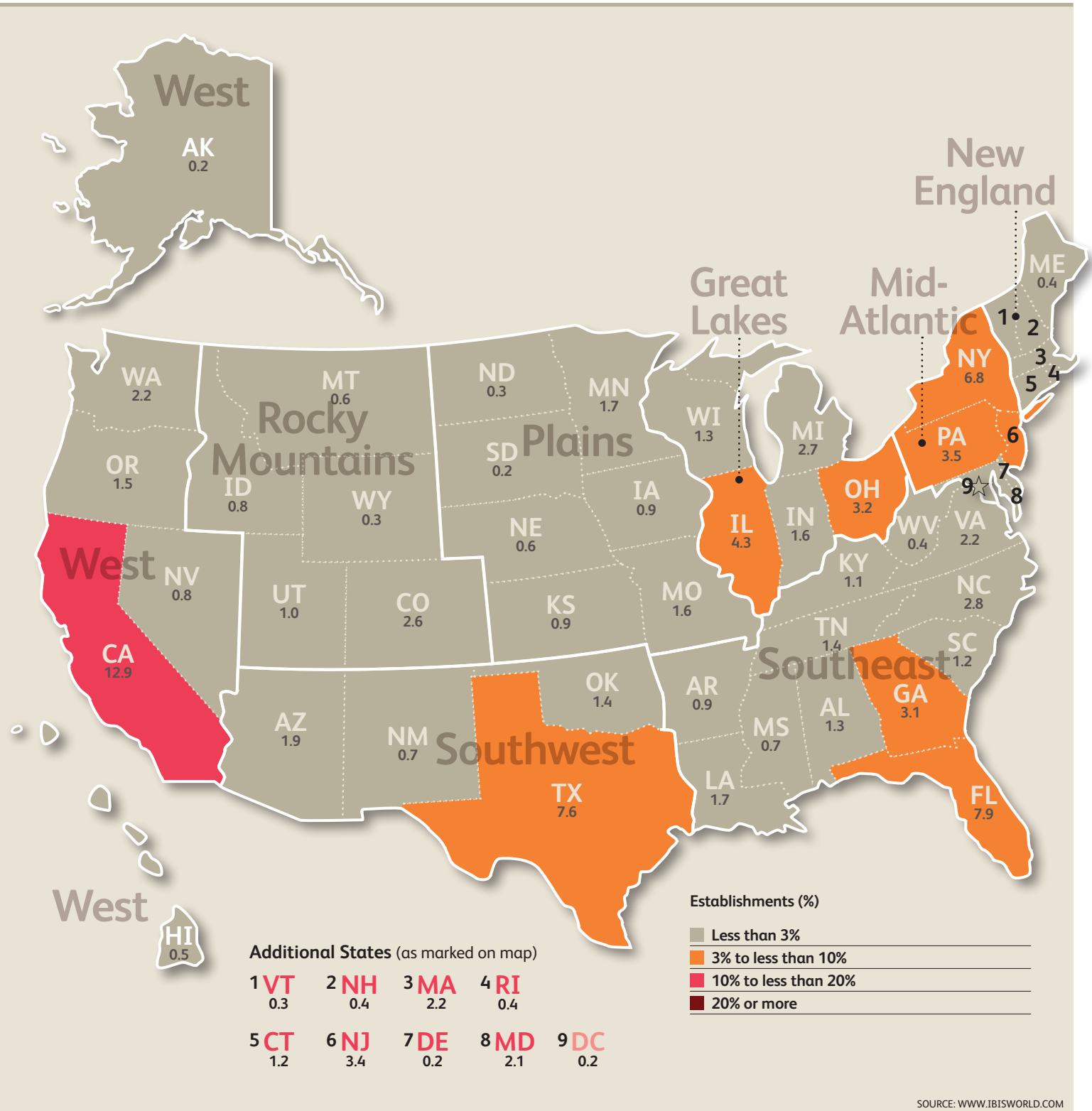
Exports do not occur in the Accounting Services industry based on its service-based nature, although many of the largest industry players have international operations. Accounting firms tend to open offices in foreign markets rather than provide services for international clients in US offices.

The major players in this industry are represented globally; PricewaterhouseCoopers LLP, for instance, has offices in more than 150 countries. The majority of major player revenue is generated in international markets, with

Asia being the fastest growing region for the industry's Big Four firms. Despite this factor, the United States is still the largest market for these companies in terms of revenue. International trade is growing in importance due to the convergence of international accounting standards and the penetration of global corporation into new geographic regions, particularly in developing nations. To manage this geographic reach, most of the industry's largest accounting firms operate on a partnership basis, in which each office is run independently.

# Products & Markets

## Business Locations 2019



SOURCE: WWW.IBISWORLD.COM

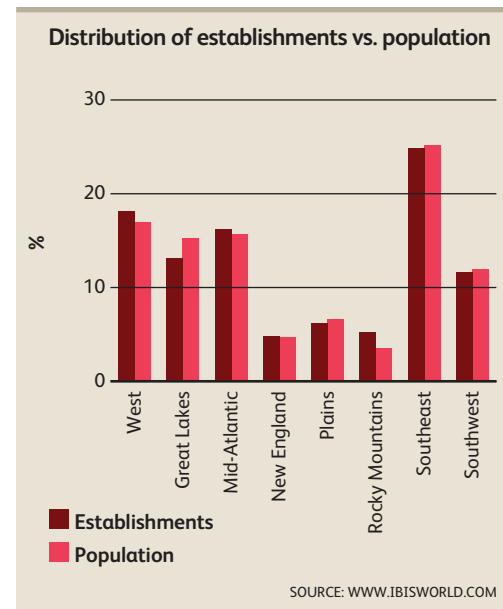
# Products & Markets

## Business Locations

The geographic distribution of establishments in the Accounting Services industry is highly correlated with the overall population distribution in the United States. Accounting service providers are predominantly small businesses that focus on serving local and regional markets. Therefore, an increase in the number of individuals that require personal accounting services and businesses that need audit and tax services boosts the need for industry operators. However, the industry's largest operators tend to be located in major metropolitan cities to service major organizations.

The Southeast represents the most concentrated region in the industry in 2019 with an estimated 24.9% of all industry operators, which closely follows the proportion of the US population in the area. Similarly, Florida is the region's largest state in terms of industry establishments with an estimated 7.9%, which is slightly greater than the proportion of the US population in the state. The state accounts for a large number of accountants due to its large economy, which includes service, finance, transportation, utilities, manufacturing and construction industries. Florida is home to several large, population-dense metropolitan areas, such as Miami and Orlando, which creates high demand for industry services in the state.

The Western region is estimated to account for 18.1% of total industry establishments in 2019, which is slightly higher than the proportion of the US population residing in the area. California represents the industry's largest state in terms of establishments and population, with 12.9%. California's massive economy attracts a large number of accounting firms



that provide services to consumers and businesses in industries such as education and health, real estate, professional services, finance and insurance, manufacturing and transportation and utilities. Additionally, the state has a large public sector and agricultural and mining sectors. These factors create high demand for accountants and providers of associated services.

The Mid-Atlantic region is projected to account for 16.2% of industry establishments in 2019, which is slightly greater than the proportion of the US population in the region. New York and New Jersey account for 6.8% and 3.4% of all establishments, respectively, due to the large number of major finances, insurance and professional service organizations that are located in the region. These firms generate massive demand for assurance and tax services and, therefore, create high demand for accounting and auditing services.

# Competitive Landscape

Market Share Concentration | Key Success Factors | Cost Structure Benchmarks  
Basis of Competition | Barriers to Entry | Industry Globalization

## Market Share Concentration

Level  
Concentration in  
this industry is **Low**

In 2019, IBISWorld expects the Accounting Services industry's four largest players to collectively generate just over 32.0% of revenue, indicating a low to moderate level of concentration. The industry in New York is particularly concentrated; the Big Four accounting firms account for a large share of industry revenue at the national level, and all four of these firms have national headquarters in New York City. Many of the large financial firms and other high-value clients are also located in New York City and the Big Four service many of these large clients. Due to the concentration of high-value clients in that region and the headquartering of

the industry's largest players, concentration in New York is slightly higher than it is nationwide. However, despite moderate concentration, the national industry is pyramid-shaped in terms of market structure. The vast majority of accounting service establishments are small, local partnerships with a few employees, or sole proprietors without a payroll. Indeed, an estimated 85.2% of industry establishments employ fewer than 10 workers. These firms generally serve small businesses and individuals, rather than high-value corporate clients. These countervailing factors have led to a moderate level of concentration.

## Key Success Factors

IBISWorld identifies 250 Key Success Factors for a business. The most important for this industry are:

### Access to highly skilled workforce

An appropriately qualified and trained staff is essential to carrying out the complicated services provided by accounting firms.

### Having a good reputation

Developing and maintaining a good reputation is vital for attracting clients.

### Effective quality control

Effective quality control procedures in place are essential to meet the highest level of regulation and scrutiny.

### Maintenance of excellent client relations

Maintaining a loyal, satisfied client base ensures repeat business.

### Having a clear market position

Specialization or catering to a niche market focuses a firm's resources and is a successful strategy for small to mid-size operators that are unable to compete on scale with major players.

### Ability to compete on tender

The ability to tender competitively for contracts, and complete the job within budget, is a characteristic of successful firms.

## Cost Structure Benchmarks

The Accounting Services industry is a highly employee-intensive industry. Therefore, wages account for one of the major costs of the industry.

### Wages

Wages are the industry's largest cost, comprising an estimated 38.8% of industry revenue in 2019. Wage costs vary depending upon the size of an accounting service firm. Medium- and

large-sized firms in this industry typically employ many nonpartner accountants, who, unlike partners, are paid in salary and not as a percentage of profit. Small firms have a higher percentage of partners, whose salary is largely determined by their firm's profitability. Employees in this industry are highly educated, with a thorough understanding of state and local tax laws and accounting. Work often requires client



# Competitive Landscape

## Cost Structure Benchmarks continued

service and a high level of client contact. The New York industry has slightly smaller relative wage outlays than the national average because of the density of larger companies. These operators have more resources to invest in labor-saving technology that less-concentrated states do not have access to. As a result, many of the smaller tasks that may be done in other states have been relatively more automated in New York.

### Purchases

Purchases, which focus on telecommunication and information technology (IT) equipment, account for an expected 1.3% of industry revenue

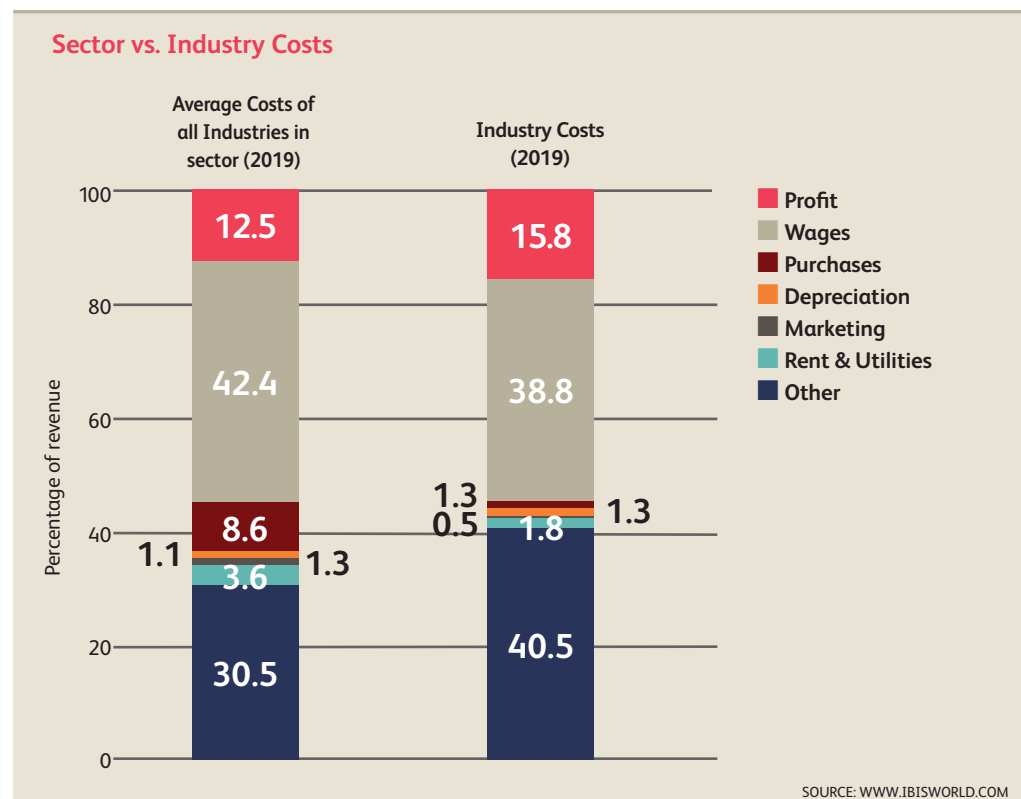
### Profit

The average profit margin (measured as earnings before interest and taxes) for operators in the Accounting Services industry is high, representing an expected

15.8% of revenue in 2019. While profit varies based on company size and the type of work that accounting firms perform, high average margins are largely the result of firms' partnership structure in this industry. Partners receive most or all of their income as a share of profit, rather than as salaries. This means that labor costs for a significant proportion of the industry's workforce are accounted for in the profit segment of the cost structure, rather than the wages segment. A growing number of businesses has required hiring a greater number of employees, leading to an increase in labor cost and a decrease in profit. Industry profit has been volatile during the current period, declining from 17.8% in 2014, despite rising demand for industry services.

### Depreciation

IBISWorld estimates that depreciation charges account for just 1.3% of industry revenue in 2019.



# Competitive Landscape

## Cost Structure Benchmarks continued

### Marketing

Marketing accounts for an expected 0.5% of total industry revenue. Small companies market their services in order to increase clientele. Their marketing costs are typically higher than the major players in the industry, as the major players do not need to market themselves as much as the minor companies.

### Rent

Rent is expected to account for 1.7% of total industry revenue. Operators typically buy office space rather than rent it.

### Utilities

Utilities are expected to account for 0.1% of total industry revenue, which is relatively minimal, due to the industry's service-based nature.

### Other

Other costs for industry operators include various administration and overhead costs, which account for an estimated 40.5% of industry revenue in 2019. Additionally, costs include travel and lodging for employees to meet with clients.

## Basis of Competition

Level & Trend  
Competition in this industry is **High** and the trend is **Steady**

Operators in the Accounting Services industry experience a high level of competition. While the biggest accounting firms typically compete for large corporate clients, demand for accounting services is high enough for small operators to flourish in the industry nationwide. Consequently, the industry has a huge number of small players, which increases the overall level of industry competition.

### Internal competition

Accounting firms generally compete on the bases of service and price. The quality of services provided is very important, as clients are more likely to change their accountants because they are dissatisfied with the level of service, rather than to obtain a lower price. Furthermore, brand recognition still plays an important role in the auditing process and most large corporations insist on having audits performed by one of the industry's largest firms. These firms have the capacity to audit the largest of clients and the networks that can provide services on an international basis. Brand recognition gives a certain level of credibility for clients and lends a sign of quality and transparency. The importance of governance, risk management and more

comprehensive auditing standards has shifted the competitive emphasis toward quality and away from price. On the lower end, the high number of nonemployers and firms employing few workers creates intense competition for establishments that operate on a local level. Often, multiple firms located in a region will be forced to compete for business from the same clients because of the limited scope of companies they can serve and the high number of establishments operating with regional and local scopes.

### External competition

The Accounting Services industry also contends with competition from firms outside of this industry. For example, some small firms experience competition from the Tax Preparation Services industry (IBISWorld report 54121d) and the Payroll and Bookkeeping Services industry (IBISWorld report 54121b), which both solely provide their eponymous services. Although some accounting firms provide bookkeeping, tax preparation and payroll processing, some businesses seek out the services of the aforementioned industries if they only need a single service provided to them. Similarly, industry operators



# Competitive Landscape

## Basis of Competition continued

experience limited competition from the Software Publishing industry (IBISWorld report 51121). This industry publishes software that enables companies to complete some of their own accounting work. As self-service software packages such as TurboTax, TaxAct and QuickBooks have become more popular, fewer individuals have sought out industry operators. This has had less of an effect on business clients because it is markedly more difficult for these software brands to cater to the full range of needs of businesses than to the needs of individuals.

Accounting firms also provide advice outside traditional accounting services.

Therefore, the industry contends with competition from the Management Consulting industry (IBISWorld report 54161), which provides consultation on management issues, including financial planning and budgeting. The Sarbanes-Oxley Act prohibits auditing firms from providing consultancy services to companies that they audit; however, this legislation has not influenced consulting-related revenue at the industry's largest firms. Accounting firms now offer services such business, risk, management and legal consulting and therefore compete head-to-head with the Management Consulting industry.

## Barriers to Entry

Level & Trend  
Barriers to Entry  
in this industry are  
**Low and Increasing**

Characterized by a low-to-moderate level of concentration, the Accounting Services industry mostly comprises small nonemployer firms or those that employ fewer than four people. Although the industry has a high level of competition, there are few barriers to entry at the lower end of the industry. Individuals can practice alone as a nonemployer if they obtain the proper formal qualifications or training. Individuals must pass the Uniform Certified Public Accountant Examination to be designated a certified public accountant (CPA). Some states require additional education to receive the CPA designation. While larger operators seeking to audit publicly listed companies have to comply with specific Securities and Exchange Commission (SEC) requirements and regulations, anyone with the proper qualifications can operate in this industry, making the barriers to entry inherently low.

The largest industry players have offices located in major global cities. Capacity constraints can be a problem for small firms attempting to serve large clients, as each of this industry's major players has more than 100,000

### Barriers to Entry checklist

Competition	High
Concentration	Low
Life Cycle Stage	Mature
Capital Intensity	Low
Technology Change	Low
Regulation and Policy	Heavy
Industry Assistance	Low

SOURCE: WWW.IBISWORLD.COM

employees globally. Consequently, firms looking to enter the industry will experience a significant barrier if they plan to serve clients of this size. Large accounting firms may also have access to specialized personnel or systems, which enables them to work on more complex, high-value projects. Similarly, larger firms may be able to respond to regulatory changes faster as a result of workforce specialization. Consequently, barriers to expansion are quite high, given the power of the industry's Big Four firms. While smaller companies or individuals cannot often afford the services of those larger firms, those that can overwhelmingly choose to contract

# Competitive Landscape

## Barriers to Entry continued

the services of these proven, reputable enterprises instead of smaller operators. While this creates barriers for

establishments already operating in this industry, initial entry into the industry is relatively free of barriers.

## Industry Globalization

### Level & Trend

Globalization in this industry is **Low** and the trend is **Steady**

The Accounting Services industry's largest auditing firms are regarded as having a high level of globalization. Some firms are integrating their operations on a global basis, with partners sharing profit from a pool. Although three of the Big Four auditing firms are headquartered outside of the United States, each of the firms operates on a network basis. Consequently, domestic branches of each of the four firms are owned and managed independently. For the most part, each branch only serves clients in its respective country, so domestic branches primarily audit US companies.

In May 2000, financial regulators from 104 countries, represented by the International Organization of Securities Commissions, accepted the establishment of international accounting standards for cross-border listings, which commenced from early 2005. In the United States, the Sarbanes-Oxley Act, officially named the Public Company Accounting Reform and Investor Protection Act of 2002, became law after a series of large financial

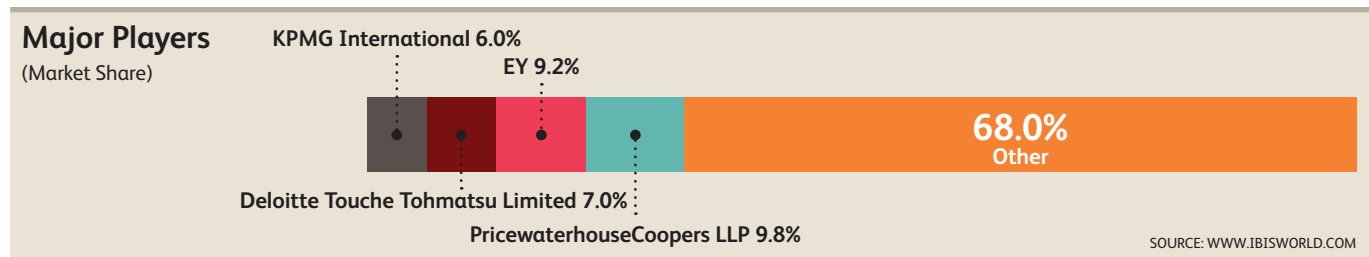
accounting scandals, including, Enron, Tyco and WorldCom. Many of the provisions of the Act also apply to foreign companies operating in the United States, or to those having any dealings with US companies. This has also helped to increase industry globalization.

However, the vast majority of this industry operates on a local or regional basis. The majority of establishments in the industry are either nonemployers or employ less than four workers. Participants of this size are unable to operate on a global or international scale and often only have the resources to work within the bounds of a small regional area, providing services to local businesses and individuals. While large companies operate on a global scale, the necessity for a wide range of small businesses and private citizens in all parts of the country with a variety of revenue and income levels, respectively, will perpetuate demand for these smaller operators. This will keep the overall level of globalization low.

# Major Companies

PricewaterhouseCoopers LLP | EY

Deloitte Touche Tohmatsu Limited | KPMG International | Other Companies



## Player Performance

**PricewaterhouseCoopers LLP**  
Market Share: 9.8 %

PricewaterhouseCoopers LLP (PwC) is a UK-based accounting and advisory firm. The company was founded in 1998 through a merger between Price Waterhouse and Coopers & Lybrand, which made it one of the largest accounting firms in the world. PwC focuses on providing audit, assurance, tax and consulting services to a range of clients, which predominantly includes firms in financial markets. The company also provides other services, including human resources guidance and forensic auditing. PwC is headquartered in the UK and generated \$41.3 billion in global revenue in fiscal 2018 (year-end June; latest data available). PwC is one of the Accounting Services industry's Big Four firms and has operations in more than 158 countries.

PwC operates through three main business segments: assurance, tax and

advisory. The company's assurance segment, which includes financial statements and internal audits, corporate reporting, regulatory compliance and valuation services, comprises the largest portion of company revenue. In fiscal 2018, assurance services represented over 40.0% of revenue, though the segment has been experiencing slower growth than the company's other two segments in recent years due to competitive conditions. However, revenue generated from the tax segment has been expanding at a faster rate due to increasing scrutiny over tax compliance for US companies in both their dealings with domestic and international economies and an increase in the number of businesses operating domestically. PwC's advisory segment has been recording the highest growth of the three in recent years. This segment primarily

## PricewaterhouseCoopers LLP (US industry-specific segment) - financial performance\*

Year**	Revenue (\$ million)	(% change)	Operating Income (\$ million)	(% change)
2014-15	9,531.9	3.8	1,630.0	3.8
2015-16	9,905.7	3.9	1,763.2	8.2
2016-17	10,199.0	3.0	1,682.8	-4.6
2017-18	10,465.6	2.6	1,653.6	-1.7
2018-19	10,792.7	3.1	1,780.8	7.7
2019-20	11,110.0	2.9	1,759.5	-1.2

\*Estimates; \*\*Year-end June

SOURCE: ANNUAL REPORT AND IBISWORLD

# Major Companies

## Player Performance continued

pertains to assisting companies in implementing organic growth strategies and creating a profitable cost structure. However, this segment is attributed to the Management Consulting industry (IBISWorld report 54161) and is not included in industry-relevant revenue. Both of PwC's industry-relevant segments have fallen as a proportion of company revenue as a result of rapid advisory business growth.

In April 2014, PwC completed its acquisition of the consulting firm Booz & Company, changing its name to Strategy&. This acquisition significantly boosted its advisory and consulting business, adding an estimated 3,000 strategy-focused employees into the fold. The acquisition has also boosted PwC's market presence in forensic services, which include advising companies on issues such as cybercrime and data security, fraud allegations and other forms of litigation. PwC also completed its acquisition of managed services provider Mokum later that year. In January 2016, PwC announced its acquisition of leading Polish-based technology consulting company Outbox Group. The European consulting group specializes in customer, digital and technology services working with platforms such as Salesforce, Microsoft Dynamics, and Oracle, bolstering PwC's ability to offer specialized cloud-based

solutions and transformational services for international clients. Most recently, PwC acquired KYC-Pro from Irish consultancy firm FSCom in late 2018, strengthening PwC's regulatory compliance business.

## Financial performance

Over the five years to fiscal 2019, PwC's US industry-specific revenue is projected to expand at an annualized rate of 2.2% to reach \$10.6 billion. The ongoing need for auditing, tax compliance and advisory services has precipitated strong growth for the company. Additionally, mounting regulatory requirements regarding transparency have increased the need for accounting services from the company's largest market, asset management and private equity. Since the acquisition of Booz & Company took place late in the company's fiscal calendar in 2014, most of the benefits of the addition to the PwC's service portfolio were recognized one year later. Strategy& has mainly bolstered the advisory segment of the company, but the additional value-added services it provides, along with the boost to its parent company's brand recognition, will likely continue to bring in business, leading to significant anticipated growth in industry-relevant revenue this fiscal year. Operating income is estimated to be \$1.8 billion.

## Player Performance

EY  
Market Share: 9.2 %

EY, formerly Ernst & Young, is an international, UK-based professional services firm. The company primarily provides accounting services such as assurance and auditing as part of this industry's Big Four firms. The company was formed through a merger between Ernst & Whitney and Arthur Young & Co. in 1989 and rebranded as EY in 2013. Company services are focused on 14 key industries, ranging from asset

management to utilities and the public sector. In fiscal 2018 (year-end June; latest data available), EY generated \$34.8 billion in global revenue with over 260,000 employees worldwide.

EY operates through four major business segments: assurance, tax, advisory and transactions advisory services. Assurance, which is involved in financial accounting, financial statement auditing and fraud investigation and

# Major Companies

## Player Performance continued

dispute services, among others, remains the cornerstone of the EY business and accounted for just over 36.0% of global revenue in fiscal 2018. However, the company's other services are growing rapidly as more companies seek assistance complying with increasingly stringent tax laws and gaining strategic assistance through advisory services. The company's tax segment accounted for nearly 26.0% of revenue in fiscal 2018. EY also maintains its advisory business, which is primarily involved in assisting companies with strategic planning, risk assessment and implementing policies that will further organic growth. The advisory segment has been the company's fastest-growing, achieving double-digit growth in both fiscal 2014 and 2015, and represented nearly 28.0% of company revenue in fiscal 2018. Furthermore, EY's transaction advisory services team, which brings in the remainder of company revenue, advises corporate, private capital and government clients on how to effectively manage their capital and advises and audits mergers and acquisitions, accounted for the remaining 10.3% of global revenue in fiscal 2018. Overall, EY operates in this industry through its assurance and tax segments and a portion of its transaction advisory services segment. Two of the three

subsegments within the transaction advisory segment are involved in industry-relevant assistance involving accounting, auditing and assuring tax compliance for companies engaging in mergers and acquisitions. Other activities in this segment, and in the advisory segment, are included in the Management Consulting industry (IBISWorld report 54161).

Merger and acquisition activity have remained a feature of EY's growth strategy over the past five years. Most notably, the company acquired Greenwich Consulting in 2013. The purchase is designed to help consolidate the company's service range in growth strategy, marketing and data analysis. Additionally, the company agreed to merge with Parthenon Group in 2014, which helped develop EY's advisory and tax advisory services segment. Overall, EY completed more than two dozen acquisitions in fiscal 2017, adding resources to all four segments. Along with the other Big Four accounting services firms, EY has also largely focused its efforts and resources in recent years in the digital consulting space, enabling it to become a multi-billion-dollar source of company revenue through the EY-GE Digital Alliance, formed in 2016. The business includes a wide array of services

## EY (US industry-specific segment) - financial performance\*

Year**	Revenue (\$ million)	(% change)	Operating Income (\$ million)	(% change)
2014-15	8,399.7	3.8	1,436.4	3.8
2015-16	8,612.1	2.5	1,533.0	6.7
2016-17	8,815.6	2.4	1,454.6	-5.1
2017-18	9,219.8	4.6	1,456.7	0.1
2018-19	10,126.4	9.8	1,670.9	14.7
2019-20	10,534.0	4.0	1,668.3	-0.2

\*Estimates; \*\*Year-end June

SOURCE: ANNUAL REPORT AND IBISWORLD

# Major Companies

## Player Performance continued

from consulting to software development, spanning multiple industries that include the oil and gas and aviation sectors. Through this alliance, EY was able to complete 26 acquisitions and seven new partnership agreements in calendar year 2016 alone. Most recently, EY completed 21 acquisitions and 4 new alliances in calendar year 2018, expanding the company's reach in digital fields such as artificial intelligence (AI), blockchain and robotic process automation (RPA).

### Financial performance

EY has remained a leader in the Accounting Services industry, with US industry-specific revenue expected to grow at an annualized rate of 5.3% to reach \$10.8 billion over the five years to fiscal 2019 and operating income is expected to be \$1.8 billion. All company service lines have increased during the five-year period; however, assurance and tax services have grown at a relatively slower rate compared with advisory services. Nonetheless, assurance and taxation services remain key products for EY and are essential to the provision of further value-added services, such as

strategic planning. Acquisitions have helped bolster the value of services provided by the company, upping the book of business the company holds. Acquisitions and capital investments are part of a company plan called Vision 2020, which outlines a plan for EY to become a \$50.0 billion professional services organization by the year 2020. As a part of this plan, the company has begun investing what it plans to total \$1.2 billion in technology infrastructure, \$400.0 million in new audit software and \$500.0 million in analytics. This has manifested in operations that have helped EY grow significantly over the past five years. The technology investments have increased the mobility of EY workers, enabling them to work all over the globe and connect to company portals. Furthermore, investment in industry-specific experts has enabled the company to add value to all of its operating segments, as it can tailor its services more adeptly to a specific industry, enticing more clients from those sectors to work with employees that are knowledgeable about their specific business environment.

## Player Performance

**Deloitte Touche Tohmatsu Limited**  
Market Share: 7.0 %

Deloitte Touche Tohmatsu Limited (Deloitte) is an international professional services network. The company was reorganized in 2010 as a private UK-based company with headquarters in New York City. The company exists as a network of member companies in more than 150 countries, which gives the organization significant reach worldwide. The company provides accounting, tax, consulting and other professional services as one of the Big Four accounting firms. In fiscal 2018 (year-end June; latest data available), Deloitte generated \$43.2 billion in global revenue with a global company employment count of over 285,000 employees.

Globally, Deloitte operates through five major business segments: audit services; enterprise risk services; consulting; tax and legal services; and financial advisory. Industry-specific operations are conducted through all segments except consulting, which focuses on strategic and organizational management design. Audit and risk services, often grouped together in company reporting, are primarily offered to companies providing financial services, consumer business and manufacturing; however, the company is expanding into energy and resources, in addition to life sciences and healthcare markets. Deloitte experienced impressive growth in its life



# Major Companies

## Player Performance continued

sciences and healthcare segment in fiscal 2018, making it the company's fastest-growing customer base. Audit and assurance services account for nearly 25.0% of global company revenue, making it the second-highest grossing segment on a global scale. However, consulting has long since overtaken audit and assurance services as the largest segment in the US market. In fiscal 2018, consulting is expected to account for nearly 40.0% of revenue the company recorded from the domestic market, having increased as a share of company revenue each consecutive fiscal year during the period. As consulting has become more in demand, the company's other segments have subsequently fallen as a share of revenue. However, the company's long-standing reputation and large reach have kept it entrenched as a high earner in this industry.

In recent years, the company has grown through a variety of acquisitions. Deloitte acquired consulting firm BearingPoint's North American public service segment for \$350.0 million after BearingPoint filed Chapter 11 bankruptcy. This increased Deloitte's public-sector clientele, as BearingPoint had previously been one of the US government's largest contractors. In 2015 to form Deloitte Leadership, which

offers clients a full range of leadership and strategy services. Furthermore, Deloitte has increasingly focused its efforts on expanding its technological capabilities. In March 2017, Deloitte announced its acquisition of cloud consulting business Day1 Solutions and the addition of 3,000 new US-based high-tech engineering jobs and the opening of new cloud studios across the country. Most recently, Deloitte announced its acquisition of cloud management and automation platform start-up ATADATA in 2018, boosting the company's investments in cloud management services.

### Financial performance

Over the five years to fiscal 2019, Deloitte's industry-specific revenue in the United States is projected to grow at an annualized rate of 1.7% to reach \$8.2 billion and operating is estimated to be \$1.3 billion. Deloitte's continued expansion into fast-growing consulting services has brought in more high-profile clients that seek major accounting firms as a provider of audit, assurance and advisory services. In fiscal 2018, the company hired 8,000 new domestic employees to meet the demands of an increased client base, which is indicative of high growth.

## Deloitte Touche Tohmatsu Limited (US industry-specific segment) - financial performance\*

Year**	Revenue (\$ million)	(% change)	Operating Income (\$ million)	(% change)
2014-15	7,601.1	-13.1	1,299.8	-13.1
2015-16	7,720.3	1.6	1,374.2	5.7
2016-17	7,693.8	-0.3	1,269.5	-7.6
2017-18	7,902.4	2.7	1,248.6	-1.6
2018-19	8,333.5	5.5	1,375.0	10.1
2019-20	7,934.5	-4.8	1,256.6	-8.6

\*Estimates; \*\*Year-end June

SOURCE: ANNUAL REPORT AND IBISWORLD

# Major Companies

## Player Performance

**KPMG International**  
Market Share: 6.0 %

Headquartered in the Netherlands, KPMG International (KPMG) is the smallest of the four major accounting firms in the United States in terms of revenue and personnel. KPMG provides audit, tax and advisory services, employing over 205,000 people and operating in more than 150 countries worldwide in fiscal 2018 (year-end June; latest data available). The company's clients include financial service firms, industrial firms, consumer product companies and other private businesses. KPMG also provides accounting services for governments, public sector agencies and not-for-profit organizations. In fiscal 2018, KPMG generated \$29.0 billion in global revenue.

KPMG operates through three major business functions: audit, tax and advisory. The company generates the majority of income through its audit segment; however, demand for tax and advisory services have outpaced audits recently. Audit services include company financial analysis that will be used by investors, creditors, stakeholders and regulatory bodies. However, changes to tax regulation and increasing demand for advisory services fostered expansion in those segments, enabling them to be the most aggressive segments in terms of

growth for KPMG. Nonetheless, in fiscal 2018, audit and tax services represented 38.5% and 21.9% of total company revenue, respectively.

During the current five-year period, KPMG made several acquisitions to expand its rapidly growing advisory line of business, including the purchase of the Oracle Enterprise Resource Planning practice of the Hackett Group. Just prior to the outset of the current period in November 2013, KPMG launched a UK-based global investment fund, KPMG Capital, which is similarly structured to a venture capital fund. KPMG Capital invests in data and analytics businesses that serve a variety of sectors, including healthcare, financial services, energy and telecommunications. Along these lines, in January 2014, KPMG completed the acquisition of Link Analytics, which specializes in business analytics and large-scale social network analysis.

Over the past five years, KPMG has also expanded its footprint in digital advisory services, as has been the trend among the rest of the Big Four during the period. In March 2015, the company announced its acquisition of cybersecurity organization First Point Global, which specializes in identity and access management (IAM). KPMG had

## KPMG International (US industry-specific segment) - financial performance\*

Year**	Revenue (\$ million)	(% change)	Operating Income (\$ million)	(% change)
2014-15	5,276.1	8.7	902.2	8.7
2015-16	5,562.6	5.4	990.1	9.7
2016-17	5,795.0	4.2	956.2	-3.4
2017-18	6,033.3	4.1	953.3	-0.3
2018-19	6,609.3	9.5	1,090.5	14.4
2019-20	6,828.4	3.3	1,081.4	-0.8

\*Estimates; \*\*Year-end June

SOURCE: ANNUAL REPORT AND IBISWORLD



# Major Companies

## Player Performance continued

also previously acquired four other cyber companies in the five months leading up to the First Point Global acquisition to add to its international network, identifying cybersecurity as one of six strategic growth areas for global investment. These acquisitions include social media risk consultancy SR7, the Melbourne-based segment of Pacific Strategy Partners, mining services consultancy Momentum Partners and most recently, SGA Property Consultancy.

### Financial performance

Over the five years to fiscal 2019, KPMG's US industry-specific revenue is expected

to grow at an annualized rate of 8.9% to reach \$8.0 billion and operating income to be \$1.3 billion. Audit services remain the company's single-largest segment, though growth in advisory and tax services have been relatively faster during the five-year period. Nonetheless, as business formation rates improved and the number of US initial public offerings rose, revenue from auditing and attestation, in addition to accounting and financial reporting, improved at KPMG. Like the other large accounting firms, KPMG has experienced higher revenue growth rates internationally and in emerging economies when compared with Europe or the United States.

## Other Company Performance

**BDO Global**  
Market Share: 1.2 %

BDO Global is the fifth-largest accounting network in the world. The company comprises a professional services network of public accountancy firms in 154 countries and employs more than 70,000 staff. BDO Global operates through three main service lines: audit and accounting, tax services and advisory services. BDO Global operates in this industry through its subsidiary, BDO USA (BDO). In fiscal 2018 (year-end June; latest data available), BDO generated \$1.5 billion in total revenue. This branch has experienced strong growth as US financial markets

improved and new businesses precipitated higher demand for accounting services. BDO's reputation as a company that provides high-value accounting services has enabled it to grow its industry-relevant revenue to an estimated \$1.4 billion in fiscal 2020. BDO's service portfolio includes audit software such as APT (Audit Process Tool), which is designed to help support planning and execution of audits. Furthermore, BDO's strong position in the accounting services market guarantees future contracts and growth moving forward.

# Operating Conditions

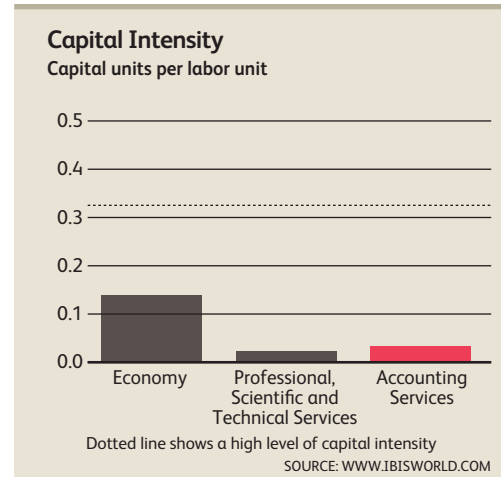
Capital Intensity | Technology & Systems | Revenue Volatility  
Regulation & Policy | Industry Assistance

## Capital Intensity

### Level

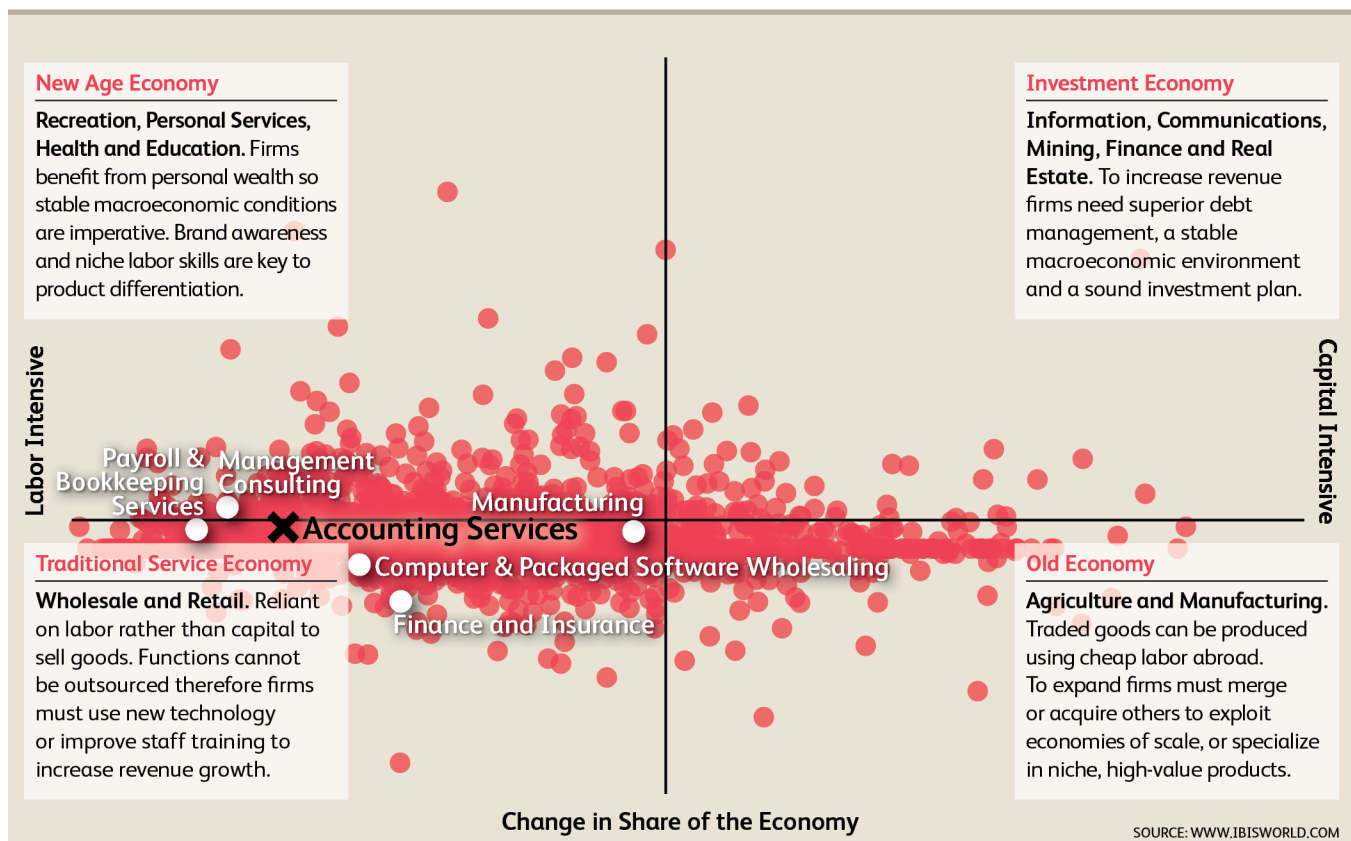
The level of capital intensity is **Low**

The Accounting Services industry is labor intensive, demanding highly skilled professionals to provide auditing and assurance services. In 2019, for every \$1.00 spent on labor, the industry is only expected to invest \$0.03 in capital equipment, leading the industry to exhibit a low level of capital intensity. Employees in the industry are highly educated and knowledgeable in the fields of tax law and accounting. Many employees are accredited professionals, and work in this field frequently requires personal service and face-to-face contact with clients. Accountants must also keep abreast of any changes to tax codes created by government agencies or acts of legislation. Increasingly, larger industry firms are focusing on hiring more



employees with analytical backgrounds or specific industry knowledge. Employees with highly specialized

## Tools of the Trade: Growth Strategies for Success



# Operating Conditions

## Capital Intensity continued

knowledge generally command a higher average wage. All these factors contribute to high salaries in the industry and high labor-intensity.

Although capital intensity has remained relatively steady over the past five years, industry operators have increased purchases of more technologically advanced capital equipment during the period. The industry continues to purchase computer equipment and software that improves the efficiency and accuracy of audits. The rise of Big Data has made it more crucial for industry operators that service medium and large businesses to have the technological capabilities to assemble and organize millions of data points. As more industry

clients increase their use of technology in day-to-day operations, the ability to use computer systems to record transactions and analyze payments has grown. The industry's larger firms are investing hundreds of millions of dollars in analytical tools and software. For example, EY has plans to spend over \$1.2 billion in capital upgrades to improve their IT infrastructure; additionally, they rolled out a new auditing portal and suite of analytical tools called EY Canvas in 2015 as part of a \$400 million audit investment program. Software is expected to become an even greater focus for both large and smaller firms. Accordingly, capital intensity is expected to grow slightly over the next five years.

## Technology and Systems

### Level

The level of technology change is **Low**

The Accounting Services industry is characterized by a low level of technology change. Apart from computerization of office activities, major firms have also upgraded their information and research databases, which have increased productivity. According to a study by CCH, a software company that specializes in tax and finance programs, almost a quarter of firms have staff that work remotely. This aspect makes cloud computing especially important as it grants a person access to their work from anywhere that has an internet connection. Mobility has become an important part of the growth strategy of many operators in the industry. All of the big four accounting services firms have noted significant growth in international and interstate trips by employees, and cloud computing portals have enabled this trend to grow. Aside from remote working capabilities, mobile applications have been introduced by some companies to permit real-time audit updates. EY's Canvas program enables clients to check in on the status of an audit as it is

happening and assess risk areas to grant auditors the ability to maximize the use of their time. Furthermore, Deloitte Touche Tohmatsu Limited recently acquired Day1 Solutions, an innovative cloud consulting firm, in an effort to expand the company's cloud capabilities amid the fast-moving digital economy.

Accounting software can additionally be used to automate some of the bookkeeping processes required for some projects. Technological innovation has become increasingly important in an industry with stiffening regulation standards. Industry operators must cope with changes that would otherwise slow them down by becoming more efficient. However, companies will need to be careful about placing sensitive financial documents in harm's way in lieu of a string of major cybersecurity breaches in various financial services industries during the period. Consequently, industry operators need to make sure that they implement safeguards for their clients' information by investing heavily in cybersecurity measures and training programs.

# Operating Conditions

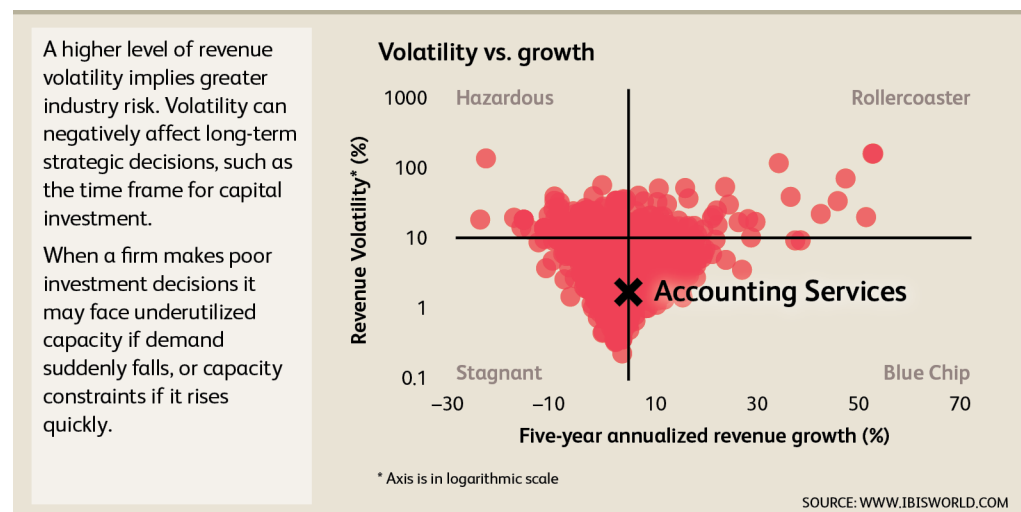
## Revenue Volatility

### Level

The level of volatility is **Low**

The Accounting Services industry has exhibited a relatively low level of revenue volatility over the five years to 2019. Overall, revenue in this industry is sensitive to shifts in the business cycle for most of its services and demand generally moves in line with overall economic conditions. During years of slow growth, diversity in clients and demand for countercyclical work, such as bankruptcy and restructuring services, can mitigate severe revenue losses. Over the past five years, ebbs and flows in corporate profit and growth in the number of businesses

operating domestically have caused some fluctuations in revenue growth during the period. Overall, however, general economic growth and the strengthening of the financial sector in particular have bolstered revenue for the industry. Increasing scrutiny in corporate taxation has also induced businesses to seek more of the industry's in terms of financial statement auditing. Overall, fluctuations in downstream drivers have been mitigated by countercyclical demand and general economic growth, leading to low volatility.



## Regulation and Policy

### Level & Trend

The level of Regulation is **Heavy** and the trend is **Increasing**

To be designated a certified public accountant (CPA) in the Accounting Services industry, an individual must pass the Uniform Certified Public Accountant Examination (Uniform CPA Exam). The exam is designed by American Institute of Certified Public Accountants (AICPA) and given by the National Association of State Boards of Accountancy. Some states require further education and experience in order for an individual to be considered a CPA. In general, only licensed CPAs are enabled to audit the financial records of a company. Currently, Arizona, Kansas,

North Carolina and Ohio are the only states in which an individual without a CPA designation can perform audits. Conversely, it is against the law in many states for a person to use the CPA title if they have not been certified. According to the AICPA, a national effort is in progress to adopt a system of uniformity among licensed CPAs that will enable them to provide accounting services across state lines with no restrictions, otherwise known as CPA mobility. Currently, a total of 52 jurisdictions have passed mobility laws and are now in the implementation phases.

# Operating Conditions

## Regulation and Policy continued

Regulation of this industry increased following inquiries by the Securities and Exchange Commission and Congress into the financial collapse of Enron. Congress established a new industry oversight board, the Public Company Accounting Oversight Board (PCAOB), and barred accounting firms from providing certain consultancy services to clients under the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley).

The SEC has responsibility for ensuring that proper auditing standards and outcomes are achieved for all companies listed on the stock market. Given that the Big Four firms are largely the auditors for these companies, the SEC has a significant interest in monitoring the standards set by the Big Four. The SEC has also established auditor independence rules.

Before the PCAOB, the Public Oversight Board (POB) was responsible for the profession's self-regulation, which included a peer review of the audit and accounting policies, procedures, standards and documents of major accounting firms. However, the POB closed its doors in May 2002 as investor losses mounted following high-profile accounting scandals during the early 2000s. In its place, the PCAOB was created under Sarbanes-Oxley to oversee public company auditors. Although the PCAOB is a private-sector nonprofit corporation, it has regulatory functions that protect the interests of the public and investors alike.

In general, industry operators perform audits according to generally accepted auditing standards and practices (GAAS and GAAP). In the United States, the AICPA has 10 standards that affect a variety of industry-specific issues, including how financial statements are

reported and interpreted. GAAS also requires an auditor to have adequate training and take sufficient time to perform an audit before its reporting.

Since 2002, the International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) have been working to acquire a convergence between international standards and US general accepted accounting principles. These efforts began with the Norwalk Agreement, where the two boards agreed to make efforts to make each reporting standard fully compatible.

In 2009, the Group of 20 Leaders (G20) called for these boards to re-double their efforts. The US Securities and Exchange Commission (SEC), in 2010, directed its staff to develop a plan to unify these two standards. Adopting a new, uniform set of standards would likely benefit the industry. However, vagueness in the proposed timetable for future implementation and remaining differences between the US and international standards have prevented further estimates on how such a convergence would affect the industry.

In May 2014, the FASB and IASB clarified a series of joint standards on revenue recognition. In the United States, GAAP standards contained as many as 200 separate items of reporting guidance, many of which were industry-specific for sectors such as software and media. The newly written joint standards aim to remove inconsistencies and weaknesses in existing revenue requirements and improve disclosure requirements. These standards were taken into effect in 2017 for public companies and 2018 for private companies. The FASB also updates its best practices and clarifies and adds to regulations each year.

# Operating Conditions

## Industry Assistance

### Level & Trend

The level of Industry Assistance is **Low** and the trend is **Steady**

While operators in the Accounting Services industry do not receive any direct government assistance, operators receive some support from industry associations, such as the American Accounting Association and the

American Institute of CPAs. These associations provide services for accountants, accounting firms and the industry as a whole, including continuing education courses, codes of conduct and legislative advocacy.



# Key Statistics

## Industry Data

	Revenue (\$m)	Industry Value Added (\$m)	Establishments	Enterprises	Employment	Exports	Imports	Wages (\$m)	Domestic Demand	Number of businesses (Mil)
2010	83,116.1	47,967.3	93,350	90,434	461,097	--	--	32,923.2	N/A	7.4
2011	83,926.5	48,308.4	93,873	90,907	461,151	--	--	33,453.4	N/A	7.4
2012	89,262.9	50,922.5	94,836	91,943	468,388	--	--	34,319.6	N/A	7.4
2013	90,741.5	53,048.9	93,456	90,602	483,485	--	--	36,352.5	N/A	7.5
2014	94,536.4	54,270.6	94,487	91,397	492,342	--	--	36,875.9	N/A	7.6
2015	100,750.1	59,308.0	94,039	90,826	518,700	--	--	40,064.7	N/A	7.7
2016	106,346.5	60,454.2	92,630	89,626	534,777	--	--	41,524.5	N/A	7.8
2017	109,230.7	61,142.9	93,620	90,482	546,283	--	--	42,464.4	N/A	7.8
2018	111,974.2	63,246.7	94,586	91,325	558,333	--	--	43,427.3	N/A	7.9
2019	113,925.3	63,695.2	95,311	91,961	568,129	--	--	44,187.9	N/A	8.1
2020	114,213.3	63,955.9	95,452	92,084	572,343	--	--	44,472.4	N/A	8.0
2021	114,856.9	64,386.6	95,843	92,445	577,550	--	--	44,846.2	N/A	8.1
2022	115,745.4	64,932.9	96,258	92,821	583,407	--	--	45,279.4	N/A	8.2
2023	116,937.0	65,608.7	96,849	93,363	589,707	--	--	45,763.8	N/A	8.3
2024	118,728.7	66,581.2	97,814	94,255	597,964	--	--	46,416.7	N/A	8.3
Sector Rank	6/35	6/35	11/35	11/35	8/35	N/A	N/A	7/35	N/A	N/A
Economy Rank	96/694	52/694	81/694	77/694	67/694	N/A	N/A	40/694	N/A	N/A

## Annual Change

	Revenue (%)	Industry Value Added (%)	Establishments (%)	Enterprises (%)	Employment (%)	Exports (%)	Imports (%)	Wages (%)	Domestic Demand (%)	Number of businesses (%)
2011	1.0	0.7	0.6	0.5	0.0	N/A	N/A	1.6	N/A	-0.6
2012	6.4	5.4	1.0	1.1	1.6	N/A	N/A	2.6	N/A	1.1
2013	1.7	4.2	-1.5	-1.5	3.2	N/A	N/A	5.9	N/A	0.8
2014	4.2	2.3	1.1	0.9	1.8	N/A	N/A	1.4	N/A	1.0
2015	6.6	9.3	-0.5	-0.6	5.4	N/A	N/A	8.6	N/A	1.3
2016	5.6	1.9	-1.5	-1.3	3.1	N/A	N/A	3.6	N/A	1.1
2017	2.7	1.1	1.1	1.0	2.2	N/A	N/A	2.3	N/A	1.2
2018	2.5	3.4	1.0	0.9	2.2	N/A	N/A	2.3	N/A	1.3
2019	1.7	0.7	0.8	0.7	1.8	N/A	N/A	1.8	N/A	1.3
2020	0.3	0.4	0.1	0.1	0.7	N/A	N/A	0.6	N/A	-0.5
2021	0.6	0.7	0.4	0.4	0.9	N/A	N/A	0.8	N/A	1.1
2022	0.8	0.8	0.4	0.4	1.0	N/A	N/A	1.0	N/A	1.0
2023	1.0	1.0	0.6	0.6	1.1	N/A	N/A	1.1	N/A	0.9
2024	1.5	1.5	1.0	1.0	1.4	N/A	N/A	1.4	N/A	0.8
Sector Rank	26/35	32/35	29/35	29/35	24/35	N/A	N/A	25/35	N/A	N/A
Economy Rank	311/694	487/694	385/694	375/694	273/694	N/A	N/A	291/694	N/A	N/A

## Key Ratios

	IVA/Revenue (%)	Imports/Demand (%)	Exports/Revenue (%)	Revenue per Employee (\$'000)	Wages/Revenue (%)	Employees per Est.	Average Wage (\$)	Share of the Economy (%)
2010	57.71	N/A	N/A	180.26	39.61	4.94	71,401.90	0.31
2011	57.56	N/A	N/A	181.99	39.86	4.91	72,543.27	0.30
2012	57.05	N/A	N/A	190.57	38.45	4.94	73,271.73	0.31
2013	58.46	N/A	N/A	187.68	40.06	5.17	75,188.48	0.32
2014	57.41	N/A	N/A	192.01	39.01	5.21	74,898.95	0.32
2015	58.87	N/A	N/A	194.24	39.77	5.52	77,240.60	0.34
2016	56.85	N/A	N/A	198.86	39.05	5.77	77,648.25	0.34
2017	55.98	N/A	N/A	199.95	38.88	5.84	77,733.34	0.34
2018	56.48	N/A	N/A	200.55	38.78	5.90	77,780.29	0.34
2019	55.91	N/A	N/A	200.53	38.79	5.96	77,777.93	0.33
2020	56.00	N/A	N/A	199.55	38.94	6.00	77,702.36	0.33
2021	56.06	N/A	N/A	198.87	39.05	6.03	77,649.03	0.33
2022	56.10	N/A	N/A	198.40	39.12	6.06	77,612.03	0.32
2023	56.11	N/A	N/A	198.30	39.14	6.09	77,604.30	0.32
2024	56.08	N/A	N/A	198.55	39.09	6.11	77,624.57	0.32
Sector Rank	10/35	N/A	N/A	12/35	13/35	8/35	8/35	6/35
Economy Rank	73/694	N/A	N/A	432/694	67/694	445/694	132/694	52/694

Figures are in inflation-adjusted 2019 dollars. Rank refers to 2019 data.

SOURCE: WWW.IBISWORLD.COM

## Industry Financial Ratios

	Apr 2014 - Mar 2015	Apr 2015 - Mar 2016	Apr 2016 - Mar 2017	Apr 2017 - Mar 2018	Apr 2017 - Mar 2018 by company revenue		
					Small (<\$10m)	Medium (\$10-50m)	Large (>\$50m)
<b>Liquidity Ratios</b>							
Current Ratio	1.8	1.6	1.7	1.6	1.6	1.9	1.1
Quick Ratio	1.3	1.2	1.4	1.4	1.4	1.4	1.1
Sales / Receivables (Trade Receivables Turnover)	10.6	12.0	12.1	10.8	16.2	8.2	8.6
Days' Receivables	34.4	30.4	30.2	33.8	22.5	44.5	42.4
Cost of Sales / Inventory (Inventory Turnover)	n/c	n/c	n/c	n/c	n/c	n/c	n/c
Days' Inventory	n/a	n/a	0.4	0.4	0.4	0.4	0.4
Cost of Sales / Payables (Payables Turnover)	103.5	92.5	84.5	75.7	122.4	59.2	87.3
Days' Payables	3.5	3.9	4.3	4.8	3.0	6.2	4.2
Sales / Working Capital	13.4	14.3	15.0	15.9	18.2	11.3	53.7
<b>Coverage Ratios</b>							
Earnings Before Interest & Taxes (EBIT) / Interest	13.9	13.3	14.9	14.4	16.4	13.8	11.9
Net Profit + Dep., Depletion, Amort. / Current Maturities LT Debt	3.3	5.7	2.8	6.9	n/a	n/a	n/a
<b>Leverage Ratios</b>							
Fixed Assets / Net Worth	0.3	0.3	0.3	0.3	0.3	0.2	0.4
Debt / Net Worth	2.2	2.5	2.5	2.2	2.4	1.1	3.9
Tangible Net Worth	22.1	17.5	22.2	25.6	20.0	36.5	23.5
<b>Operating Ratios</b>							
Profit before Taxes / Net Worth, %	56.6	51.7	56.0	66.7	88.1	37.5	67.3
Profit before Taxes / Total Assets, %	17.1	17.7	15.5	18.0	21.7	13.4	17.6
Sales / Net Fixed Assets	43.6	47.9	49.1	45.8	60.1	38.2	66.3
Sales / Total Assets (Asset Turnover)	2.9	2.8	2.8	2.7	2.5	2.8	3.0
<b>Cash Flow &amp; Debt Service Ratios (% of sales)</b>							
Cash from Trading	59.0	54.2	53.2	58.0	71.2	51.3	36.0
Cash after Operations	9.6	9.0	8.3	8.5	10.9	6.6	7.3
Net Cash after Operations	8.0	8.9	7.0	8.7	11.5	5.5	8.3
Cash after Debt Amortization	1.0	0.7	2.0	1.2	2.1	0.7	0.3
Debt Service P&I Coverage	6.9	5.8	5.7	5.1	5.0	5.9	6.0
Interest Coverage (Operating Cash)	13.9	10.6	12.1	16.1	15.6	18.1	26.1
<b>Assets, %</b>							
Cash & Equivalents	20.9	19.8	20.4	21.9	24.9	19.5	14.7
Trade Receivables (net)	28.2	27.5	28.8	28.8	25.0	35.0	29.8
Inventory	3.1	4.2	2.9	2.6	2.1	3.3	3.2
All Other Current Assets	10.4	10.0	9.4	8.6	6.7	10.6	11.7
Total Current Assets	62.6	61.5	61.4	61.8	58.7	68.5	59.5
Fixed Assets (net)	12.6	11.2	9.9	12.2	13.5	10.5	10.7
Intangibles (net)	13.8	15.2	16.4	13.9	15.8	9.0	17.5
All Other Non-Current Assets	11.1	12.1	12.3	12.0	12.0	11.9	12.3
Total Assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total Assets (\$m)	2,809.7	3,022.4	3,525.7	2,689.0	369.8	965.6	1,353.7
<b>Liabilities, %</b>							
Notes Payable-Short Term	9.4	15.6	10.5	10.2	12.9	6.1	8.5
Current Maturities L/T/D	2.8	2.9	2.2	2.7	3.1	2.5	1.7
Trade Payables	7.1	6.0	6.6	5.2	5.2	5.7	3.8
Income Taxes Payable	0.1	0.1	0.2	0.2	0.4	n/a	n/a
All Other Current Liabilities	23.3	21.6	23.2	23.7	20.5	27.1	29.0
Total Current Liabilities	42.6	46.2	42.7	42.0	42.1	41.4	43.0
Long Term Debt	13.9	11.4	11.7	11.6	15.2	5.8	9.9
Deferred Taxes	0.2	0.4	0.1	n/a	n/a	n/a	0.2
All Other Non-Current Liabilities	7.3	9.3	6.9	6.9	6.9	7.3	5.9
Net Worth	35.9	32.7	38.6	39.5	35.8	45.5	41.0
Total Liabilities & Net Worth (\$m)	2,809.7	3,022.4	3,525.7	2,689.0	369.8	965.6	1,353.7
Maximum Number of Statements Used	256	241	259	236	131	74	31

**Source:** RMA Annual Statement Studies, [rmahq.org](http://rmahq.org). RMA data for all industries is derived directly from more than 260,000 statements of member financial institutions' borrowers and prospects.

**Note:** For a full description of the ratios refer to the Key Statistics chapter online.





# Jargon & Glossary

## Industry Jargon

**AUDITING** The act of reviewing a company's financial operations to ensure regulatory compliance.

**INITIAL PUBLIC OFFERING (IPO)** The issuing of a company's common stock to the public for the first time.

## INTERNATIONAL FINANCIAL REPORTING

**STANDARDS (IFRS)** The standards, interpretation and framework for financial reporting adopted by the International Accounting Standards Board.

## IBISWorld Glossary

**BARRIERS TO ENTRY** High barriers to entry mean that new companies struggle to enter an industry, while low barriers mean it is easy for new companies to enter an industry.

**CAPITAL INTENSITY** Compares the amount of money spent on capital (plant, machinery and equipment) with that spent on labor. IBISWorld uses the ratio of depreciation to wages as a proxy for capital intensity. High capital intensity is more than \$0.333 of capital to \$1 of labor; medium is \$0.125 to \$0.333 of capital to \$1 of labor; low is less than \$0.125 of capital for every \$1 of labor.

**CONSTANT PRICES** The dollar figures in the Key Statistics table, including forecasts, are adjusted for inflation using the current year (i.e. year published) as the base year. This removes the impact of changes in the purchasing power of the dollar, leaving only the "real" growth or decline in industry metrics. The inflation adjustments in IBISWorld's reports are made using the US Bureau of Economic Analysis' implicit GDP price deflator.

**DOMESTIC DEMAND** Spending on industry goods and services within the United States, regardless of their country of origin. It is derived by adding imports to industry revenue, and then subtracting exports.

**EMPLOYMENT** The number of permanent, part-time, temporary and seasonal employees, working proprietors, partners, managers and executives within the industry.

**ENTERPRISE** A division that is separately managed and keeps management accounts. Each enterprise consists of one or more establishments that are under common ownership or control.

**ESTABLISHMENT** The smallest type of accounting unit within an enterprise, an establishment is a single physical location where business is conducted or where services or industrial operations are performed. Multiple establishments under common control make up an enterprise.

**EXPORTS** Total value of industry goods and services sold by US companies to customers abroad.

**IMPORTS** Total value of industry goods and services brought in from foreign countries to be sold in the United States.

**INDUSTRY CONCENTRATION** An indicator of the dominance of the top four players in an industry. Concentration is considered high if the top players account for more than 70 % of industry revenue. Medium is 40 % to 70 % of industry revenue. Low is less than 40 %.

**INDUSTRY REVENUE** The total sales of industry goods and services (exclusive of excise and sales tax); subsidies on production; all other operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

**INDUSTRY VALUE ADDED (IVA)** The market value of goods and services produced by the industry minus the cost of goods and services used in production. IVA is also described as the industry's contribution to GDP, or profit plus wages and depreciation.

**INTERNATIONAL TRADE** The level of international trade is determined by ratios of exports to revenue and imports to domestic demand. For exports/revenue: low is less than 5 %, medium is 5 % to 20 %, and high is more than 20 %. Imports/domestic demand: low is less than 5 %, medium is 5 % to 35 %, and high is more than 35 %.

**LIFE CYCLE** All industries go through periods of growth, maturity and decline. IBISWorld determines an industry's life cycle by considering its growth rate (measured by IVA) compared with GDP; the growth rate of the number of establishments; the amount of change the industry's products are undergoing; the rate of technological change; and the level of customer acceptance of industry products and services.

**NONEMPLOYING ESTABLISHMENT** Businesses with no paid employment or payroll, also known as nonemployers. These are mostly set up by self-employed individuals.

**PROFIT** IBISWorld uses earnings before interest and tax (EBIT) as an indicator of a company's profitability. It is calculated as revenue minus expenses, excluding interest and tax.

**VOLATILITY** The level of volatility is determined by averaging the absolute change in revenue in each of the past five years. Volatility levels: very high is more than  $\pm 20\%$ ; high volatility is  $\pm 10\%$  to  $\pm 20\%$ ; moderate volatility is  $\pm 3\%$  to  $\pm 10\%$ ; and low volatility is less than  $\pm 3\%$ .

**WAGES** The gross total wages and salaries of all employees in the industry. The cost of benefits is also included in this figure.

# At IBISWorld we know that industry intelligence is more than assembling facts

## It is combining data with analysis to answer the questions that successful businesses ask

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Identify high growth, emerging & shrinking markets  
Arm yourself with the latest industry intelligence  
Assess competitive threats from existing & new entrants  
Benchmark your performance against the competition  
Make speedy market-ready, profit-maximizing decisions

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### Who is IBISWorld?

We are strategists, analysts, researchers, and marketers. We provide answers to information-hungry, time-poor businesses. Our goal is to provide real world answers that matter to your business in our 700 US industry reports. When tough strategic, budget, sales and marketing decisions need to be made, our suite of Industry and Risk intelligence products give you deeply-researched answers quickly.

### IBISWorld Membership

IBISWorld offers tailored membership packages to meet your needs.

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